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TOWARD A HOUSING POLICY FOR THE CITY OF BOSTON

June, 1973

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TOWARD A HOUSING POLICY

FOR THE CITY OF BOSTON

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Boston Redevelopment Authority
Housing Task Force

Directed by:
Kent W. Colton and Rolf Goetz

June, 1973

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PREFACE

The housing environment in Boston has been undergoing significant changes. On the one hand, major shifts in population and employment patterns have basically altered housing needs. On the other, a variety of factors, including costs of maintenance, taxes, and lack of mortgage money and insurance, have deferred maintenance and even spurred instances of disinvestment. With the current Federal moratorium on a number of housing-related programs, the City is limited in its ability to continue past strategies like Federally-assisted code enforcement and gut rehabilitation.

The curtailment of Federal funds has brought cries of protest. However, it is not sufficient to call for renewed allocations for the programs of the past, many of which deserve serious rethinking. Rather the time is ripe for a comprehensive review by the City of Boston of its housing needs and strategies.

The report which follows is an effort to outline such a housing policy. While much of this document still remains to be clarified and polished, there is enough to begin the necessary discussion and debate that precedes implementation. The report should be viewed as the first step in a process of housing policy formulation -- a process that first will hone and refine the various strategies outlined, and second will translate the city-wide perspective which is the focus of this report to the specific needs generated by the population and housing char-

acteristics of each of the City's neighborhoods.

The report will eventually contain six chapters. Three are still in the final stages of writing, but the others are being distributed now so as to begin the process of review and appraisal.

In order to give the reader a complete flavor of all aspects of the report, though, a summary of each of the chapters has been prepared.

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CHAPTER SUMMARIES

CHAPTER I: INTRODUCTION (Summary)*

Boston's Changing Character and Housing Environment

Boston has emerged in the early 1970's as a city which is redefining its roles. The loss of manufacturing jobs in the 1950's has been offset by the services revolution which has brought a large flow of upgraded jobs to Boston. The population loss of the 1950's, which was retarded in the 1960's, may now be reversing itself, as young adults and childless households move in. The revitalization of the inner city neighborhoods, which began with so much clearance in the 1960's, has reached the stage of rebuilding.

These economic and demographic trends place new demands upon Boston's housing market. Along with these transformations, the housing environment has undergone considerable change. Some of the changes have been negative, i.e. the continued deterioration of a predominantly aged housing stock and the beginnings of abandonment. However, some changes, like the emergence of a new type of homeownership in the form of the condominium, hold great promise.

The Presidential impoundment of housing-directed funds will also have very significant impact on Boston's housing situation. On the one hand the moratorium sharply curtails efforts aimed at both upgrading the housing stock and expanding the supply of low and moderate income housing. On the other hand it provides the opportunity to re-evaluate the Federal policies and programs of the past; some of these, most notably subsidized housing production, deserve serious rethinking.

The Need for a Coordinated Housing Policy

While changes are occuring on both the supply and demand sides of the City's housing market, the response too often has been either the increasing

*Detailed chapter not yet available

ineffectiveness of existing, potentially useful tools or strategies, (i.e. zoning, code enforcement and tax policy); or the introduction of new tools (i.e. rent control) without sufficient consideration of their potential impact. A housing policy is needed which puts the classic tools and strategies to work for new goals; and which develops new ones, in conformity with both an understanding of what is, and a consensus of what ought to be. The key lies in formulating and implementing those strategies which compliment and leverage the private market -- encouraging owners, tenants, and lenders to do their part in maintaining and improving Boston's housing.

Problems Faced in Formulating Housing Policy

Even if, in formulating housing policy, old tools and strategies can be renewed, other formidable constraints persist. One is the conflict between the good of the whole and the good of its parts: tax policy to favor one group must thereby increase the tax burden on other groups. A second constraint is the conflict between what is economically and what is politically beneficial: rent control, though popular and needed in certain areas of the City, may well decrease the economic feasibility of housing stock upkeep. A third constraint is simply that of limited resources.

A housing policy must acknowledge all constraints and propose the alternatives. The policies proposed here are based upon the assumption that public funds must be used where they best leverage private funds; and that this can occur most effectively by strengthening marginal areas and working inward towards the more seriously deteriorated neighborhoods, rather than trying to totally reconstruct limited inner city areas with massive commitment of public funds.

Outline of the Report

The remainder of this paper is divided into five sections, each dealing with a different aspect of Boston's housing. The first presents background

information on Boston's population and housing stock and introduces some of the actors in Boston's housing market. The second section is addressed to the problems of the existing housing supply; and the last three sections deal with three particular segments of housing demand requiring a city policy: the upper and middle income market, the low and moderate income market, and the elderly.

CHAPTER II: AN OVERVIEW OF BOSTON'S POPULATION AND HOUSING PICTURE (Summary)*

Economic Trends

Since 1963, Boston gained 55,000 service jobs - more than offsetting a loss of 15,000 manufacturing jobs. The production of goods and services increased by one-third, and Boston is now a ten billion dollar economy with more than 500,000 jobs. In the 1970-1980 decade, Boston may experience a growth of upwards of 75,000 net new jobs, and a one-third increase in the production of goods and services. While more than half of the City's workers commute from outside of the City, the increase in job base is already being accompanied by an increased demand for housing. However, extensive job training will be necessary in order to assure that all segments of the City's residential population will be able to take advantage of the upgraded job market and thus increase the effective demand for better quality housing.

Population Trends

In the past twenty years Boston has undergone dramatic changes in its age, sex and race profiles; some of these are very similar to those occurring in other cities, particularly on the east coast, but other changes are unique.

Gross Population Trends - From 1950 to 1970 Boston lost approximately 150,000 people, 100,000 in the first decade, and 50,000 in the second. Most of this loss occurred in Urban Renewal areas, but several older ethnic districts also suffered considerable loss. The only areas which gained population in the decade of the sixties were the central and the semi-suburban districts. However, citywide net population increase is expected during the 1970's.

Trends in Age Composition - During the last 20 years the age distribution of the City has changed from a fairly normal distribution to one which is

*Detailed chapter not yet available.

very constricted in the 30 to 64 year old bracket, and disproportionately enlarged in both the 18 to 24 year old and over 65 year old brackets. The increase in the former was much greater among females than males. A possible slowdown in the outmigration of those in the 55 years and older bracket and an increase in service industries which employ large numbers of young people and especially women, suggest that the trends of the past two decades may continue into the next decade. The constricted size of the middle age group, means the lack of what is traditionally the most productive, stable and community-minded segment of the population. The new, younger in-migrants are likely to be more transient, and housing policies must take this difference into account.

Trends in Racial Composition - While the total population has been steadily decreasing, the non-white population has nearly tripled since 1950, (42,774 individuals in 1970) and more than tripled as a proportion of the total City population (5.3 percent in 1950, and 18.1 percent in 1970). The geographic distribution of the non-white population has changed dramatically - while in 1950 only three districts were composed of more than three percent non-whites, in 1970 there were nine such districts. The speed and extent of racial transition have had serious consequences in several parts of the City.

Trends in Household Characteristics - Along with the population shifts have come changes in household characteristics affecting composition and size, stability, and income.

Since 1960 the proportion of the City's population living in families has decreased significantly (down to 78 percent in 1970). Expressed another way, the proportion of families to the total number of households declined (down to 65 percent in 1970). A dramatic increase in the number of unrelated persons has offset the above changes. Concurrently there has been a decrease in the average and median household sizes (to 2.8 and 2.2 respectively).

Households in 1970 were somewhat less stable than those in 1960, with more than 36 percent having lived in their homes for less than 26 months.

Finally the income levels of Boston's households, considered in constant dollars, have risen by one fourth in the sixties--to $9,946 for the average household in 1970. These gains are expected to continue. However despite these gains for the general population, 17.3 percent of all household were still below the poverty level and 33 percent of all renting households - primarily those in the lowest income brackets, spend more than 35 percent of their incomes on rent. The concept of household income relative to household size is examined in later chapters of this report, in combination with income/rent ratios, as a measure of ability to pay for housing services.

Market Demand Forces - There are several household types which compete in the City's housing market, often for the same units. Middle and upper income housing demand often comes in direct conflict and bids up prices within existing low and moderate income communities; students and young working persons often overrun and out-price moderate income families, as well as compete directly for units with elderly persons; the large scale movement of non-white households, often encouraged by realtors and lenders, both deliberately and inadvertently, sharply disrupts stable white low and moderate income residential areas; and the attempt to introduce new low and moderate income housing into middle income areas similarly generates strong opposition.

The Existing Stock

The picture of Boston's housing stock, as it emerges from the 1970 U.S. Census, is primarily one of relatively small, aging structures. In 1970 there were 232,228 housing units in 81,293 structures. Buildings

with four or less units comprised 91.4 percent of all residential structures in the City, and contained 60.5 percent of all units. Seventy-seven percent of all units were more than 30 years old.

About 70 percent of the City's housing stock is in satisfactory condition; another 25 percent requires substantial fix-up, 4 percent merits gut rehabilitation and 1 percent requires demolition. Although only 27.2 percent of all occupied units in 1970 were owner-occupied, approximately 76 percent of all structures (basically those containing one to four units) fell into this category. Thirty-five percent of all owner occupants are elderly persons aged 62 or above.

New Construction and Rehabilitation

During the decade of the sixties 20,346 new units were constructed, more than one quarter of which were publicly assisted (6 percent in public housing and 20 percent in subsidized housing projects.) During the first three years of the seventies, approximately 5850 units were completed, over three-fifths of which were publicly assisted (6 percent in public housing and 56 percent in subsidized housing projects).

Despite a leveling off in production during the late sixties and early seventies, potential demand promises to remain strong during this decade. As the Federal moratorium was announced, 5960 units were already under construction during the first half of 1973, almost two thirds of which were publicly assisted (20 percent in public housing and 45 percent in subsidized housing projects). BRA-collected data shows another 29,155 units in the planned, proposed or tentative stages of development. The completion of even a large portion of these would mean a significant increase in housing production in the City. Only one third of these are publicly assisted, half of which are currently halted by the Presidential moratorium.

It is difficult to keep track of private efforts at rehabilitation, but

the number of units rehabilitated under government programs are readily available. There have been 5,558 units rehabilitated to date through either the Section 236 or Section 221(d)(3) programs, and another 1043 units are currently being rehabilitated.

CHAPTER III - THE EXISTING STOCK: CONDITIONS, PROBLEMS AND REMEDIES (Summary)

Condition Analysis and Direct Fix-up Costs

The large part of Boston's housing stock is in good condition: 31 percent can be brought up to code standards at an average fix-up cost of $250 per unit, and an additional 39 percent can be brought into compliance with a per unit input of $750. However, for 24 percent of stock, substantial fix-up requiring an average of $2000 per unit is necessary; four percent requires gut rehabilitation costing $8,000 per unit; and one percent of the City's stock should be demolished.

Based upon this distribution, the total cost of 100 percent code compliance is approximately $291.7 million, averaging at $1250 per unit. However, a review of the investment climates in all neighborhoods suggests that, under strict code enforcement, market strength is strong enough to induce the fix-up of only 79 percent of the City's units, basically those in better condition, at a total cost of $154.9 million. Were the private market to undertake rehabilitation of the remaining 21 percent, $136.8 million would be required. To complete the fix-up in the mode of the suspended Federal programs, twice that sum in public monies would be necessary, due to their past low productivity. The importance of beginning immediately to reverse even minor negative trends is self-evident. Not only do costs of fix-up increase dramatically with each small increment of housing deterioration, but this extra expense increases the possibility of the need for public input with its further escalation of costs.

The Causes of Residential Blight

While residential blight is caused by a complex interaction of factors, some of the more important components are listed below:

1. Sound housing may be economically infeasible either because residents cannot pay enough to suppliers to make it "worthwhile" or because operating costs are too high.

2. Inadequate City services may lower the general esteem of the neighborhood.

3. The fear that a different ethnic group will alter property and/or social values may lead to a self-fulfilling prophecy.

4. The restriction of mortgage availability encourages the turnover of the stock to absentee owners who can more easily obtain credit. The restriction of home improvement loans reduces the ability of owners to do major repairs and upgrading.

5. Government red tape, and tax and rent control policies, insofar as they are inequitable and confiscatory, discourage upgrading by reducing the housing supplier's confidence that he will receive fair, expeditious treatment.

6. As homeownership declines in a neighborhood, the treatment of residential structures becomes increasingly based upon investment criteria rather than pride in homeownership, and residents are less likely to have a stake in the health of their neighborhoods. Housing quality may also decline where structures are owned by elderly persons who are unable to provide proper maintenance.

7. The cost of maintenance is artificially inflated by building codes and restrictive practices which prevent the introduction of new, labor-saving techniques and technologies.

8. The threat of enforced lead paint removal may push suppliers of low income producing, housing, into disinvestment.

9. The nature of externalities is such that the very presence of abandoned or blighted structures in a less healthy housing market may have a multiplier effect.

Principles Underlying Policy Interventions

To the extent that the inability of many housing consumers to demand decent housing is the most important factor in residential blight, then

the most effective solution - found in the Lowry model - aims at strengthening demand through rental assistance while enforcing code standards. Since this program is unlikely to be available in the near future, policymakers are forced to conduct a holding action seeking the almost impossible balance: keeping up maintenance and keeping down rents. This strategy must be guided by the following principles.

1. Policy affecting cash flow must give first priority to preserving the dwelling.

2. Ownership forms that increase the dweller's stake in his environment should be systematically encouraged.

3. Deteriorating structures in residential neighborhoods should be intercepted rather than allowed to blight adjoining structures.

4. Resource assistance should promote better tenant-landlord communication, instead of adversary relationships.

5. Public resources should be invested in ways which will stimulate the most investment by the private sector.

6. Housing policy formulation must be a process which involves the participating agencies.

Strategies

The strategies suggested below complement each other in a "critical mass" sense; they are so interdependent that implemented individually they would prove relatively fruitless.

1. Credit availability must be restored covering the range from mortgages, to home improvement loans, and these should be made available on conventional, insured and subsidized bases, as appropriate.

2. Code enforcement strategies must aim at adopting a more pragmatic and operational set of standards, and enforcing these through a rent escrowing system with sensitivity to the owner and tenants' ability and willingness to pay.

3. Other City-Wide Tools

a. Tax policy must aim at equalizing assessment-market value ratios, clarifying reassessment policy relating to fix-up, and providing incentives for fix-up through the phasing in of reassessment and a tax credit system.

b. Rent control policy should permit for the recovery of the cost of improvements that bring a dwelling up to code standards.

c. A housing information sharing system should be developed in order to act as the operational files of the Rent Control Administration, Assessing Department, Housing Inspection Department and possibly Building Department, and to measure the impact of the above strategies as well as to provide guidelines for their administration.

d. A "warehouser" of abandoned buildings should be developed to determine whether rehabilitation or demolition is appropriate, and to arrange for property disposition.

CHAPTER IV: MIDDLE AND UPPER INCOME HOUSING (Summary)

Present and Potential Market

As discussed earlier, Boston's economy has undergone a dramatic transformation over the past decade. Increased jobs and rising income levels have placed new demands upon Boston's housing market, particularly at the middle and upper income level, and these demands offer a potential for the revitalization of residential development in Boston, especially in the Core Area.

In the decade of the sixties, 15,000 units of middle and upper income housing were built, more than in any recent decade. Twenty percent of the units were constructed in Boston's Core Area. Another 2,200 units were constructed during the first three years of the seventies, two-thirds of which were constructed in the Core. This proportion of Core Area development to total development is expected to continue.

A survey of the new Core Area residents shows not only that these people have higher incomes than the Boston population as a whole, but that a majority are one or two person households, and very few (only 3 percent) have children. Interestingly, their age distribution is fairly normal, without the overly large concentrations of the elderly and the young which characterize the City's population.

Several indicators suggest that the demand for Core Area housing from this submarket will continue. One is the low vacancy rates. Surveys taken in the summer of 1971 and the winter of 1973 indicate, with the exception of Harbor Towers, consistently low rates in the order of one to three percent. In addition, the fact that one half of all respondents to the new dwellers' survey were newcomers to Boston (30 percent migrating from other parts of the SMSA and 20 percent from more distant areas), and that 40 percent were

previously owners, demonstrates the growing attractiveness of Core Area living as an alternative to the suburban, single-family home-ownership pattern of the fifties and sixties. This is further reinforced by the fact that 25 percent of these residents who work, work outside of the City of Boston, demonstrating a new and growing reverse commuter phenomenon.

Based upon an analysis of present and potential relationships between living and working in the Core, as well as Core Area employment trends, a potential demand for 15,000 to 26,000 units of new middle and upper income housing has been projected for the Core Area for the next decade.

(The newest feature in the current housing market is the conversion of rental units to condominiums. While not yet a numerically significant aspect of the market, the concept is becoming accepted not only by apartment house owners and potential buyers, but also by the City, as a beneficial trend. Five hundred units have already been converted to condominiums in Boston, almost exclusively in the Beacon Hill - Back Bay area; and the potential of this trend is indicated by the apartment dwellers surveyed. Twenty percent of those surveyed indicated that they expected to buy a condominium in the next few years.)

The possibility of meeting the potential demand for middle and upper income units is good. There are currently 3,500 such units in the planned or proposed stages, 85 percent of which will be in the Core; another 16,000 units are in the tentative stages of planning, 80 percent of which are aimed at the Core.

Despite the developer interest indicated by the number of units in the planned, proposed and tentative stages, it is unlikely that the potential demand will be met without concerted public effort. Approximately 2,100 units are currently under construction, but assuming a two to three year time lag for

completion, a continuation of this rate would produce only 8,000 to 10,000 middle and upper income units over the next decade. This is both a fraction of the projected potential demand and below the production level of the sixties. It also should be noted that a large part of the potential supply response is in the tentative stages, reflecting intentions on the part of developers rather than concrete proposals or plans, and their actualization will depend upon the removal of the present obstacles which often impede development.

Strategies

There are certain assumptions implicit to this discussion which still require examination, such as the assumption that middle and upper income households are a fiscal asset to the City, and that a more intense form of urban development is a suitable future for Boston's Core Area. Since market pressures imply that development in some form will continue, a positive resolution of the above issues would require the City to move into the role of actor, rather than simply reacting to development proposals. It must assure that the development which results is consistent with standards governing design, environmental impact and social impact.

Although specific policy proposals are not finalized, a number of development tools have been identified which either require an oiling, expansion, replacement, or combination with other mechanisms, in order to enable developers to most easily proceed in ways which are consistent with an overall City development strategy.

Policy suggestions include:

- An expansion of the power of eminent domain, based upon an expanded definition of public purpose, to facilitate the assembly of land outside of urban renewal areas.

- An expansion of the capacity to issue bonds in order to reduce total development costs.

- An expansion of the current set of zoning tools to include a system of incentives to developers who provide specific benefits in return - a public space, design amenity, etc.

- Property tax relief through seeking other sources of income to the City other than real estate taxes.

- A clarification of the units which will be free from rent control, and the addition of a simple procedure for sharing rising costs with tenants.

- A reconsideration of tax policy and rent control eviction policy as they relate to condominiums, acknowledging the benefits to the City that condominiums bring, as well as possible costs to current tenants who cannot afford ownership.

Further, a possible way of achieving development leverage may be to combine all of these tools in a city urban development corporation or to invest the BRA with the power of such a corporation. Another would be to coordinate development by establishing or investing a city department with the special powers of a development ombudsman. Such an office would help reduce the red tape which often strangles private investment, operating particularly in areas of the City where development is most useful.

It is hoped that a consideration of these suggestions will be a starting point for constructive discussion of development strategies.

CHAPTER V: LOW AND MODERATE INCOME HOUSING: NEEDS AND STRATEGIES (Summary)*

Providing decent housing for all of Boston's low and moderate income households is presently impossible in light of the extent of the need and the inadequacies of the current modes of responding to this need.

The Need

Excluding the elderly, there were about 41,000 households in 1970 which fell within the low income limits of public housing, and 30,000 households which fell within the moderate income limits of Section 236 housing.

The housing problems faced by these households have two major dimensions: (1) they are occupying units of poor quality; and (2) they are paying a large proportion of their income on rent. Both must be considered.

The Substandard Quality Problem - Low and moderate income households are more likely than their upper income counterparts to be living in units which are substandard. As an earlier section describing the existing housing stock indicated, the average city-wide per unit fix-up cost is $1250, and the median is about $800 per unit. It is possible however, that $2000 is a more realistic estimate for an average per unit fix-up cost for the units occupied by low and moderate income households.

The Income Problem - In addition, despite the unsatisfactory condition of many of their homes, as many as 90 percent of those with incomes under $5,000 spend more than 25 percent of their incomes on rent, and 74 percent spend more than 35 percent.

*Detailed chapter not yet available.

While recent housing legislation establishes 25 percent as a reasonable proportion of rent to family income, a 35 percent rent/income ratio is used here to determine city-wide needs. (This balances the effects of income under-reporting which is common among census respondents. In addition, a 35 percent rent/income ratio seems like a more realistic, though less ideal, target given the magnitude of the need and the cost of meeting it.)

Assuming a 35 percent rent/income ratio, 87 percent of the "low and moderate income" population can afford gross monthly rents of no more than $150, and as much as one-third of the low and moderate income group can afford rents of no more than $60!

While the need of a large proportion of the City's households is thus skewed towards the lowest cost units, the City-wide housing stock is largely composed of units in the middle rent brackets. A resulting mismatch of 21,000 units has been identified, which represents a deficiency of units in the existing stock which rent at prices appropriate for the City's low and moderate income households. This mismatch is particularly severe in the under $40 rent bracket where there is a deficit of almost 15,000 units. It is important to realize that this mismatch does not indicate a direct need for new units, but rather for the income to maintain the units which these households now occupy.

Current Modes of Response

Public Housing - There are currently almost 14,000 units of public housing constructed for families which range in income from a maximum of $4,200 for a single person household, to a maximum of $6,300 for a household of six or more persons. There are also more than 2,500 units leased by the Boston Housing Authority from private owners.

The construction of conventional public housing projects has in many cases been a well intentioned but inadequate response to the housing needs of low income families. Not only are many such families, especially those with young children, unsuited to high-rise living, but this solution concentrates problem families. Many of the projects are badly located, and they contain too few large units. On the whole the public housing stock has been allowed to deteriorate, and present modernization funds are insufficient to pay the necessary costs to bring these units into code compliance.

The leasing of units on the private market is a promising alternative. Not only is it a less costly approach than new construction, but it also avoids the concentration of poor families. Nevertheless, scatteration brings with it higher administrative costs.

Subsidized Housing - There are also more than 11,000 units of Federally subsidized housing in Boston, 49 percent of which are in rehabilitated structures. Another 5,200 units are under construction or being rehabilitated and about 5,000 units are in the planning stages. (The majority of those in the planning stages have been halted by the moratorium.) All of these units, subsidized through mortgage interest reduction, are aimed at a group with incomes ranging from a maximum of $6,210 for a single person household, to a maximum of $11,520 for a six or more person household, except where Federal or State rent supplements are used to further reduce rents.

The Boston Urban Observatory, (supported by the National League of Cities), with the BRA, is currently studying these subsidized developments. Preliminary results document the overall unsatisfactory financial status of subsidized housing in Boston, which is in greater difficulty than in the

nation at large. Thirty-six percent of all projects (40 percent of all units) are currently in some degree of financial difficulty - in default, assigned or foreclosed. Difficulties are attributed to the underestimation of construction and/or operating costs which may occur for several reasons: attempts by developers to underestimate costs in order to remain within FHA cost limits, which in turn are determined by income and rent ceilings; increasing construction costs, exacerbated by unforeseen construction delays; the modelling of operating costs upon middle class experience with maintenance and rent collection; and the escalation of operating costs due to rising prices, poor construction, or unexpectedly serious wear and tear or turnover.

The subsidized housing program has been an inadequate response to lower and moderate income housing needs for reasons other than those of economic infeasibility. The program costs are very high. New construction currently costs about $29,000 per unit, and gut rehabilitation is running at $20,000, --prices which do not include public administrative costs. While Federal interest subsidies and local tax breaks bring the rents on these units down to approximately 60 percent of what market rents would be, these still are high (ranging from maximums of $129 for an efficiency to $235 for a four bedroom unit) - well over the City medians. All but a small percentage of the low and moderate income population are ineligible, and those who are eligible can also afford apartments within the existing stock.

Subsidized Home Improvements - Another Federal response to the needs of low and moderate income households for standard housing has been the Section 115 and 312 low interest loan and grant programs for home improvements in code enforcement areas, perhaps the most effective of all the

Federal housing programs to date. Still, while these have been effective in bringing the stock up to code without driving up rents in marginal areas, they have been less successful where the housing stock is in very bad condition, or where incomes are very low. Program drawbacks include high administrative costs, and the area-bound nature of the program which, although important strategically, makes it unavailable to the bulk of the low and moderate income population, while available for impact area residents of high income.

New Strategies

New strategies aimed at aiding the low and moderate income population may take any of several forms. They can be basically income assistance strategies, aimed at reducing the proportion of income spent on present housing. They can be housing condition strategies, aimed at building new housing or fixing up existing housing, without affecting rent/income ratios; or they can be a combination of the two.

Strategies aimed simply at improving the condition of existing units without affecting rent/income ratios (as, for example, those outlined in Chapter III) would cost an average of $2000 per unit. However, improving condition is a stop-gap measure unless coupled with on-going maintenance which could cost an additional $10 to $20 monthly.

A strategy aimed at providing income assistance is more costly. While it is impossible to say how much subsidy each of the currently mismatched renter households requires, the cost of subsidizing all of these up to the median rents in the existing stock could cost an average of $92 per household per month or an annual total of $20 million for the City. (If it can be assumed that units rented at median prices are in standard condition, then this may well be the price-tag of a combined income assistance-condition improvement strategy.)

While a combination of strategies - reducing costs while improving condition, appears to be the most beneficial from the viewpoint of the households and the stock, the costs of doing this through new construction are prohibitive. The monthly costs of correcting the rental mismatch through Section 236-type new construction could be as high as $290 per household, or an annual cost of $60 million for the City, clearly three times the cost of strategies aimed at conserving and revitalizing the current stock.

Considering the limited public resources which are available for housing assistance, the high costs of new construction, and the valuable resource in the existing stock which is deteriorating, (partly due to inadequate cash flows), then the most appropriate approach to housing the low and moderate income populations as one which aims primarily at (1) improving the existing stock and (2) strengthening the demand ability of low and moderate income residents. A housing allowance approach coupled with code enforcement, as that described in Chapter III, is one such strategy. The leased housing program administered by the BHA is similar to such an approach and should be encouraged, expanded, and improved by providing better staffing.

However, with such a grand-scale effort not immediately among Federal priorities, all available resources and tactics must be focussed on bringing the units of low and moderate income persons up to minimal code standards. While not easing the financial burden on low and moderate income households, it would at least be a stop-gap measure which may temporarily stop housing stock deterioration until a stronger public commitment is forthcoming.

Conclusion

In summary, the housing problems of low and moderate income households relate primarily to a weakness of demand (the inability to pay for decent units) rather than any inadequacy of supply. Strategies aimed at constructing new units are three times as costly as those which utilize the existing stock. They reach too few households and do not, by means of filtration, reduce the housing costs of the remaining needy households.

A strategy of low and moderate income housing construction should be reserved for the elderly who need the special amenities and services which can be incorporated in new structures, and where the market effect is the freeing up of large, under-used, low rent units. In addition, new low and moderate income housing construction may be an appropriate component in a strategy aimed at neighborhood revitalization, where its effect would be to restore market confidence and leverage private investment. Such housing should be built not as the best means of providing low and moderate income housing, but as part of a community development strategy for the City.

CHAPTER VI: HOUSING FOR THE ELDERLY (SUMMARY)

Background; The Need for Housing

The elderly, most of whom depend upon small, fixed incomes, are discussed separately from the bulk of the low and moderate income population for several reasons. First, this group comprises a significant portion of the total Boston population: In 1970 there were 81,718 persons in the City of Boston who were 65 years old or older; and they have been increasing as a proportion of the City's total population (12.7 percent in 1970).

Second, unlike other low and moderate income age groups, they presently make up a significant proportion of the City's homeowners. One third of those households headed by a person 62 years or older are homeowners. These individuals own 28 percent of all one to four unit structures, and comprise 35 percent of the class of owner occupants of these structures. Not only are many of these persons no longer able to properly maintain their homes, but many of them are over-housed relative to their needs for space.

Finally, while the elderly share some economic characteristics with other low and moderate income age groups, they have particular physical and psychological needs. Their special physical needs, the low level of wear and tear they impose upon their housing, and the new direction of Federal priorities towards meeting elderly needs relative to those of other low income groups, all make the construction of some new subsidized units part of a suitable response to elderly housing needs. New construction for this group may have the added advantage of speeding the filtering of basically decent, larger units to low and moderate income families.

Based upon 1970 income and household size information on those 65 years old and older residing in Boston, a target population has been identified of between 9,500 and 14,000 elderly households for new or converted units. The

bulk of this group is made up of renters who are paying an extremely high proportion of their incomes on rent. The rest is made up of current low income homeowners and those living in dependent situations who are expected to be attracted to new subsidized housing if appropriately priced and located.

The Response to the Elderly Housing Need

There are already approximately 2,100 public housing or Federally subsidized units built especially for the elderly in Boston, and 4,200 family public housing units occupied by elderly households.

There are also about 1,700 units of housing for the elderly under construction, and another 2,000 which were planned but are directly affected by the Federal moratorium. Even with completion of all of these units, there would still remain a demand for 6,000 to 10,500 additional low cost units for the elderly.

Strategies

Some new strategies, such as home transfer assistance for elderly homeowners, are needed. Other strategies, such as code enforcement in combination with a housing allowance; rent control; and financial assistance for the homeowner for upgrading, which deal with problems shared by the elderly with other lower income residents, should be planned and/or administered with sensitivity to the particular needs of the elderly.

While the elderly are the most suitable candidates for new construction for the reasons stated above, new construction is nevertheless so costly that only a limited number of households can be aided given the current position of elderly housing among national priorities. Although the strengthening of demand through a system of housing allowances would reach more of those in need, this solution is not currently available.

Therefore, current methods of financing and sponsorship must be used to achieve a balance between new construction and the reuse of the existing supply in order to reach as much of the elderly demand as possible with available resources. In doing so, experimentation must be encouraged in conversions, and in different scales and mixes between elderly and other residents, and between existing and new construction.

CHAPTER III

THE EXISTING STOCK:

CONDITIONS, PROBLEMS AND REMEDIES

This chapter will be divided into five sections. The first two will describe the condition of Boston's housing and translate this into total costs of fix-up. The third section will suggest some hypotheses to account for housing deterioration in Boston. The last two sections will duscuss the principles to which a sound housing policy must conform, and suggest various strategies for upgrading and maintaining the housing stock.

Although attention is concentrated on housing supply, the relationship between the condition of the stock and the strength of housing demand will be explored. However, detailed discussion of demand sectors is reserved for discussion in the remaining chapters of the report.

A. CONDITION ANALYSIS

The varied physical condition of the housing stock is difficult to describe because there are no commonly accepted definitions of qualitative levels. The inadequacies of such census indicators of quality as the degree of overcrowding and the presence of plumbing facilities are evident. In response to this problem, qualitative levels have been operationalized by means of an index of varying amounts of resources required to bring units up to City code standards. The continuum of required resource levels has been sectioned, somewhat arbitrarily, to correspond with five common descriptions of upgrading strategies.

The first category, "A", includes all units(1) which are presently in good condition or for which a minimal amount of work, not exceeding $500, is necessary. The second category, "B", includes all units for which a modest amount of repair, not exceeding $1,000, would be sufficient. Category "C" includes all units which typically have been the target of the intensified code enforcement programs. Units within this category might require the replacement of a major system--electrical, plumbing or heating, and would need $1,000 to $3,000 worth of fix-up. Category "D" refers to those units for which gut rehabilitation, with a cost ranging from $3,000 to $10,000, is the only solution. Finally, category "E" includes those units which do not merit fix-up at all, and which should be demolished.

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(1) NB: All estimates have been done on a per unit basis, even though conditions generally affect the stock structure by structure.

The entire housing stock of the City has been reviewed in the light of this scheme.(2) As Table III-1 shows, 31 percent of the city's units may be considered "good as is", and when added to those in category B, the percentage of what are basically satisfactory units reaches 70 percent. Category C units comprise 24 percent of the housing stock. Approximately five percent of the stock is in bad enough condition to require gut rehabilitation; one percent of the stock, essentially made up of those units which have already been abandoned, require demolition.

The range of quality in the City is great. Map III-1 illustrates the geographic distribution of those units which are in the worst condition--either requiring gut rehabilitation or demolition. The highest concentration of these units are especially found in the western part of Dorchester, Washington Park-Model Cities, Central, and sections of South Boston. Unfortunately, these areas where the required input is the greatest, are the very areas in which the incomes of the owner-occupants cannot support widespread private fix-up, and the incomes of renters would not encourage unassisted fix-up on the part of the absentee landlords.

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(2) Rehabilitation specialists from the Housing Inspection Department examined all residential areas outside of urban renewal areas and conducted exterior inspections of one-third of this stock. (They have extensive experience with this type of housing from handling work write-ups and rehabilitation supervision under Boston's Federally-assisted code enforcement program.) For urban renewal areas, Boston Redevelopment Authority data was examined in light of the above methodology.

Table III-1

Housing Units, By Condition,
City of Boston, 1973

Planning District	Total Units	Condition[1] A: $250		B: $750		C: $2,000		D: $8,000		E: Demolition		Per Unit Fix-Up Cost[2]
		%	#	%	#	%	#	%	#	%	#	
East Boston	13,575	17	2,276	37	4,996	39	5,358	6	797	1	148	$ 1,577
Charlestown	5,371	28	1,484	30	1,635	40	2,146	2	94	-	12	1,237
South Boston	14,739	21	3,012	39	5,951	31	4,434	8	1,086	2	256	1,577
West End	1,490	67	998	22	328	10	149	1	15	-	-	613
North End	4,251	36	1,528	35	1,472	20	838	10	413	-	-	1,521
South Cove	959	49	472	31	297	17	162	3	28	-	-	927
Central	1,615	35	570	19	311	22	353	23	372	1	9	2,513
Total	8,315	43	3,568	29	2,408	18	1,502	10	828	-	9	1,482
Back Bay/Beacon Hill	17,178	41	6,973	37	6,408	20	3,374	2	410	-	13	965
South End	10,771	17	1,846	29	3,165	45	4,892	7	731	1	137	1,715
Fenway/Kenmore	13,826	30	4,113	39	5,368	27	3,728	4	559	-	58	1,228
Allston/Brighton	25,319	41	10,491	41	10,353	17	4,256	1	219	-	-	816
Jamaica Plain/Parker Hill	16,227	33	5,377	39	6,371	24	3,858	3	444	1	177	1,072
Washington Park	7,161	29	2,065	35	2,541	24	1,747	11	763	1	45	1,679
Model City	17,209	11	1,970	31	5,291	32	5,498	21	3,604	5	846	2,574
Campus High	842	1	6	9	76	45	381	34	286	11	93	3,692
Total	25,212	16	4,041	31	7,908	30	7,626	19	4,653	4	984	2,357
Dorchester 1	10,470	21	2,217	47	4,879	30	3,133	2	211	-	30	1,162
Dorchester 2	23,140	20	4,579	52	12,010	26	5,951	2	461	1	139	1,112
Mattapan	14,947	22	3,240	50	7,442	20	3,001	7	1,030	2	234	1,380
Total	48,557	21	10,036	50	24,331	25	12,085	4	1,702	1	403	1,207
Roslindale	12,005	49	5,827	44	5,280	7	819	1	77	-	2	639
West Roxbury	11,022	70	7,724	28	3,049	2	249	-	-	-	-	428
Hyde Park	10,738	50	5,384	39	4,152	9	949	2	225	-	28	760
City Totals	232,856	31	72,152	39	91,375	24	55,276	5	11,826	1	2,227	1,253

[1] "Condition" is expressed as an average cost of fix-up to code standards.

[2] This is a weighted average which excludes units in Category E (which should be demolished rather than fixed up.)

B. DIRECT FIX-UP COSTS

The framework used to describe housing condition may serve alternately to develop city-wide fix-up estimates. These estimates may be expressed either in terms of numbers of units to be upgraded, or total dollar costs of upgrading. They are based upon the assumption that all units (short of those recommended for demolition), despite possible obsolescence, are worth upgrading. Although only one percent of all units merit demolition, considering the overall tightness of the market, this is probably an acceptable assumption. One acknowledged shortcoming of this appraisal is its static nature which does not account for the further deterioration of some units while others are being upgraded.

Ideally the city's housing condition goal for 1980 would be 100 percent code compliance. Were private interest in fix-up strong throughout the city, this could be accomplished at a cost of approximately $291.7 million to the private sector, distributed across condition categories as follows:(3)

Table III-2

Total Fix-up Cost By Private Means (Hypothetical)

Condition	#Units	Per Unit Cost of Fix-up By Private Means	Total Cost of Fix-up By Private Means
A	72,152	$ 250	$ 18,038,000
B	91,376	$ 750	$ 68,532,000
C	55,278	$2,000	$110,556,000
D	11,824	$8,000	$ 94,592,000
Total	230,630		$291,718,000

(3) Cost of demolition (category E) is not included. $1,000 per unit or $2,227,000 would be required for the necessary demolitions. Due to the location of virtually all these units in zones of abandonment, this would necessarily be a public cost.

Map III-2 illustrates the variation in average fix-up work by neighborhoods, suggesting the level of effort required to bring all the stock in each one into code compliance.

However, a review of the investment climates in all neighborhoods suggests that, in effect, 79 percent of the housing stock has the potential of being upgraded on private initiative (182,853 out of 230,630 units). Market strength is strong enough in many areas to induce private investment of about $154.9 million, or 53 percent of the sum needed for total compliance. Private upgrading is expected to be concentrated on units for which relatively small investments are required, as shown on Table III-3, below:(4)

Table III-3

Expected Private Commitment to Fix-up

Condition	#Units	Percentage of All Units in That Condition	Per Unit Cost of Fix-up By Private Means	Total Cost of Fix-up By Private Means
A	70,185	97.3	$ 250.	$ 17,546,250
B	83,272	91.1	750.	62,454,000
C	26,704	48.3	2,000.	53,408,000
D	2,692	22.8	8,000.	21,536,000
Total	182,853	79.3		$154,944,250

The Federal moratorium on the Section 236 program, which provided subsidized rents for lower income occupants of rehabilitated units; and the phasing out of the loans and grants program, which provided grants and eased credit to owners of housing in intensified code enforcement areas will work hardship on both the demand and the supply ends of the housing market.

(4) These fix-up costs would require rent increases in many areas, and result in some displacement of present occupants, typically new and young households replacing elderly or lower income households.

On the demand side, a guesstimate based upon a review of the planning districts suggests that, in the absence of public assistance, the occupants of four percent of the City's housing units will be forced to move due to their inability to pay for required improvements. This percentage is above and beyond those involved in normal residential moves, and is expected to be highest in such areas as East Boston and North Dorchester where speculative rehabilitation is already beginning to occur.

On the supply side, it means that more than 20 percent of the City's housing units will be left to deteriorate further in the absence of deep subsidizing programs. These include a disporportionate share of those requiring gut rehabilitation located in parts of South Boston, Parker Hill, Washington Park, and Model Cities, the further deterioration of which may necessitate demolition of the units and cause the displacement of occupants, resulting in a further spread of blight (see Table III-4).

Table III-4

Units By-Passed by Private Investment

Condition	#Units	Percentage of All Units in That Condition	Per Unit Fix-Up Cost By Private Means	Total Cost of Fix-up By Private Means
A	1,967	2.7	$ 250	$ 491,750
B	8,104	8.9	750	6,078,000
C	28,574	51.7	2,000	57,148,000
D	9,132	77.2	8,000	73,056,000
Total	47,777	20.7		$136,773,750

If the City seriously aims at a target of 100 percent code compliance, it will have to subsidize the upgrading of 37,706 units in categories C and D. Experience has shown, however, that the productivity of public programs like

FHA Sections 312 and 236 is low in relation to that of private activities, since large costs for administration and ownership transfer are incurred. It is estimated that the productivity for the Code Enforcement Program (involving Section 312, 115, and 117 programs), which has dealt with structures in the substantial fix-up classification (category C), has been about 67 percent that of the private sector. The productivity of money invested in gut rehabilitation (Section 236) has been as low as 40 percent. Thus a $2,000 per unit substantial fix-up job may be inflated to as much as $3,000, and an $8,000 per unit gut rehabilitation job may be inflated to $20,000 (see Figure III-1).

Using $3,000 and $20,000 as per unit costs for the publicly-assisted upgrading of units in the C and D categories in place of $2,000 and $8,000 respectively, the total fix-up bill of those units by-passed by private investment would be raised to $268.4 million.(5) It is assumed that public input into the rehabilitation of these units would be sufficient to stimulate private investment in A and B category units located in the same areas, at a total cost of $6.6 million (see Table III-5).

Table III-5

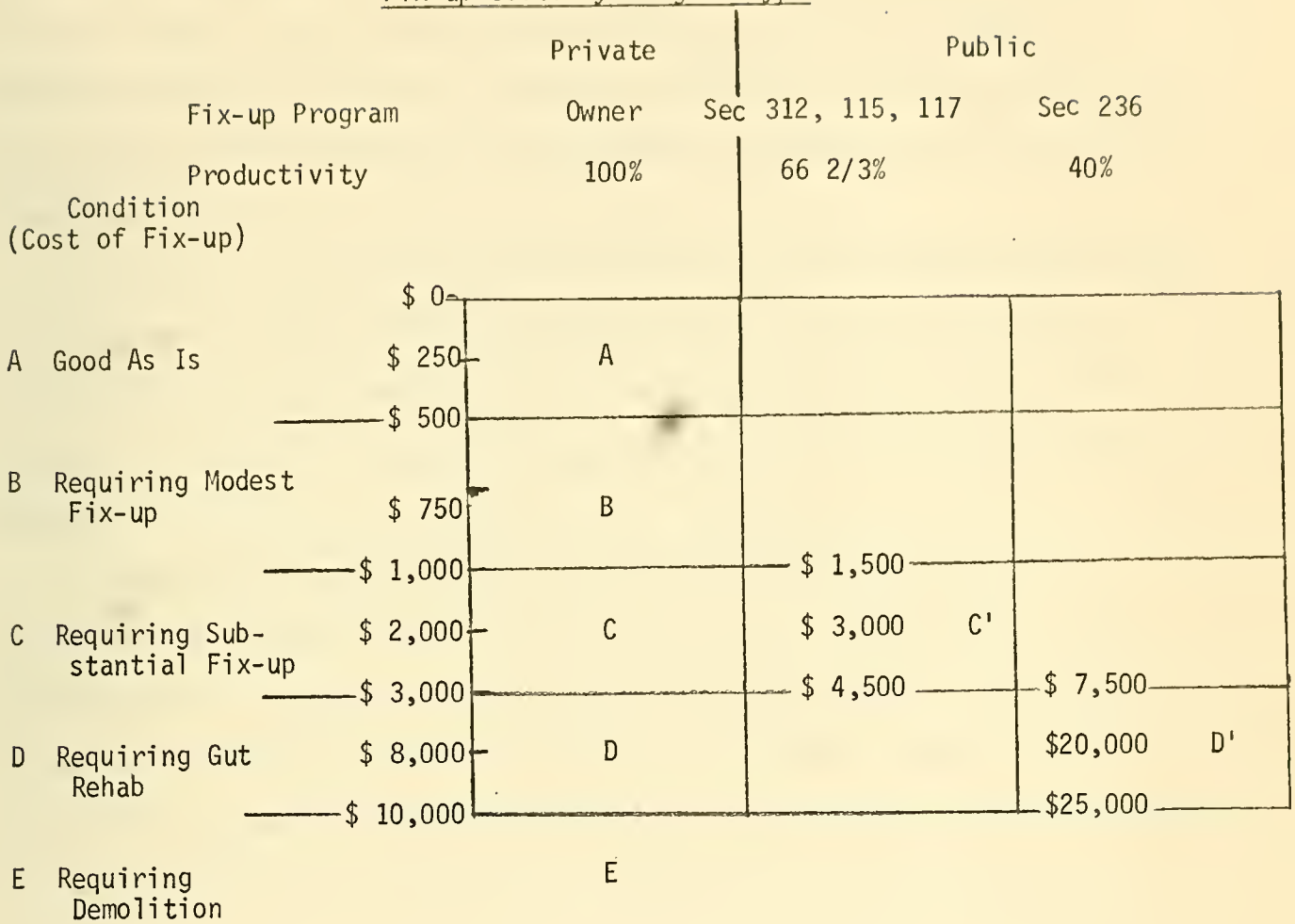
Total Resources Needed for Publicly Stimulated Fix-up

Condition	#Units	Per Unit Fix-up Cost	Total Cost
	Publicly Assisted Fix-up		
C	28,574	$ 3,000	$ 85,722,000
D	9,132	20,000	182,640,000
Total	37,706		$268,362,000
	Induced Private Fix-up		
A	1,967	$ 250	$ 491,750
B	8,104	750	6,078,000
Total	10,071		$ 6,569,750
TOTAL	47,777		$274,931,750

(5) These costs are repayable loans. The actual cost to the taxpayer is the difference between the loan and the repayment, at reduced interest, made by the borrower over time.

Figure III-1

Fix-up Costs by Program Type



If it is assumed that (a) with or without Federal programs, public assistance will be necessary to reach a state of total code compliance, and that (b) the costs of fix-up increase dramatically with each small increment of housing deterioration, then the urgency of encouraging code enforcement during early stages when the private sector is better equipped to deal with its costs, becomes obvious.

In addition, the present cost of upgrading the City's housing stock is not outrageous--the median is well under $800 per unit, and even the average is only $1,250 per unit. Immediate rent increases of no more than $10 to $20 per month would cover the costs of code compliance in over 90 percent of the stock.

In summary then, while 70 percent of the City's stock is in basically decent condition, much of it is nevertheless showing signs of neglect. The significance of reversing even minor negative trends results from the nature of the costs of fix-up. Not only do these costs increase dramatically with each small increment of housing deterioration, but this extra expense increases the possibility of the need for public input with its further escalation of costs.

During the past decade Boston has focused on new construction to meet the housing needs of many of its low and moderate income residents. The units which have resulted from these efforts have not only been extremely costly to the American taxpayer--often exceeding $20,000 per unit (not including disguised production subsidies), but, as will be discussed in Chapter V, have in many cases deteriorated rapidly and are breeding problem environments.

Interest in maintaining and upgrading the existing stock, then, is based upon two assumptions regarding its physical and environmental value. First of all, the lion's share of the existing stock is structurally sound, and has large, multi-room units without plan obsolescence. This stock is still supported by a neighborhood infrastructure that is intact and delivering

adequate housing services. In Boston, this "priceless" resource has a value around $5,000 to $8,000 per unit(6). Second, Boston's existing housing offers strong potential advantages in location, sense of history, character, and inherited quality, which cannot be replaced. While on the one hand families with school age children see the Boston schools and alleged prevalence of drugs and crime as real drawbacks, the existing stock has increasing attractive potential for young professionals, students, childless couples, and those who can afford private education.

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(6) This stock needs modest fix-up--$800 to $1,200 per unit. Although when done individually, fix-up does not substantially raise per unit value, if carried out consistently throughout an area, all structures would benefit.

C. THE CAUSES OF RESIDENTIAL BLIGHT

Strategies aimed at the maintenance and upgrading of the existing stock must be preventive as well as remedial, and thus must be related to the causes of residential blight. While some of the components of blight are familiar problems on the national scene, others are particular to Boston. Their interaction determines the severity of problems. Some of the more important components are discussed in detail.

1. The Economics of Housing, and the Income/Cost Squeeze.

In economically balanced housing situations, the recipients of housing services pay enough to the suppliers to make it "worthwhile." When cash flow is good, benefits may be going any of at least three ways: 1) to the owner, in return on equity; 2) to the public sector, via tax revenue on the unit, 3) to the dwelling in terms of maintenance or upgrading. When cash flow is more modest, as when rent control is in effect, the tenant benefits by lower rent. These four alternatives are at least partially exclusive -- what is siphoned off in taxes the owner cannot keep or invest; when rents are kept modest, cash for maintenance and fix-up is much more scarce; when codes are strictly enforced, the owner may be forced to abandon.

Municipal actions must be sensitively administered to keep rent control and taxes from interacting in such ways as to spur disinvestment and thus make code enforcement impossible. Boston contains some strong sub-market areas - largely those newly containing students and/or white collar professionals - and in these areas cash flow is relatively strong. (7)

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(7) Allston-Brighton, Fenway, Huntington Avenue, Mission Hill, Back Bay, South End, North End, Charlestown, East Boston, potentially North Dorchester all show instances of strong demand.

But in many neighborhoods the balance is more precarious, and there is already an income cost squeeze where operating costs are rising while incomes and thus rent-paying ability remains relatively constant. While these are the households for which rent control is most crucial, this is the stock for which, given its condition and the already depressed rents, rent control is most dangerous.

2. Negative Neighborhood Externalities, vis. Poor Facilities and City Services.

Individual structures are profoundly affected by the general esteem of the neighborhood, which in turn is influenced by a whole host of factors. Location in the city, accessibility, buffering from through traffic, absence of "undesirable" activities, plan layout of the residential stock, proximity to parks, and playgrounds, as well as the architectural character of the individual structures, all play important roles. In general, most neighborhoods are pretty well off on these counts. On the other hand, the quality and level of city services, from schools and police protection, to trash collection and maintenance of City facilities, also play a crucial role, and many of Boston's neighborhoods are less than adequately served.

3. Uncertainties and Fears of Socio-Economic Change.

The residential stock regularly experiences a succession of occupants and owners. The normal pattern of succession may become erratic, especially when the fear that a different ethnic group will alter property and/or social values leads to a self-fufilling prophesy. Blockbusting for racial change is an extreme case of fear-baiting that has occurred in many parts of Mattapan and Jamaica Plain. Such conditions lead to panic sales by resident owners to profiteering brokers, who often sell in turn to inexperienced new owners and absentee

slumlords. Slumlords are prone to obtain tenants on referral from Welfare AFDC, "milk their holdings," and under-maintain, sometimes defaulting on mortgage payments and more often on tax payments.

4. Restriction of Mortgage and Insurance Availability.

While the restriction of mortgage and insurance availability both leads and lags behind housing deterioration, the former has been, and continues to be, the case in several Boston neighborhoods. During the sixties, political forces and FHA insurance criteria strove to maintain mortgage and insurance availability. In spite of these efforts, pockets of deterioration grew. Secondary systems to cover high risks were set up - the FAIR plan for insurance, and BBURG for low down payment mortgages and improvement loans. Over time, these secondary systems allowed the conventional actors to refer even modest (previously acceptable) risks to the assigned risk agent. Non-white generally become correlated with hi-risk, regardless of the applicant's economic situation. Congressional investigation into alleged abuses resulted in disintegration of the BBURG mortgage pool, without full restoration of conventional credit.

Boston now faces an anomalous situation in many sizeable neighborhoods between the suburbs and the inner city - Dorchester, Mattapan, Jamaica Plain - where outsiders and absentee owners can obtain credit more easily than modest income resident owners. (9)

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(8) Senator Hart's BBURG hearings, Boston, Sept. 1971.

(9) Boston banks also have a very conservative idea of risk. For example, an otherwise reliable tenant, forced to spend 35 percent of income on rent, is considered too high a risk by Boston major thrift institutions due to income to qualify as owner. Other applicants are rejected due to unconventional appearance, insufficient evidence of thriftiness, etc. Absentee investors do not face these hurdles.

In as far as this encourages the activities of slumlords it leads to neighborhood deterioration. In neighborhoods near major educational and medical institutions it fuels community fears of outside speculation (10) which might bring competing housing demands into the areas. In both cases it imposes a restricted market upon those seeking to sell their homes. (11)

In addition, home improvement loans are harder to secure than mortgages because banks feel that such loans are poorly secured and not worth the bother. (12) The HUD Section 312 three percent loan program financed home improvements at one fourth of the conventional rates by reducing interest and spreading repayments over up to 20 years, but it was restricted to limited areas of certain cities. Such a program is unlikely to ever be launched on a national scale, unless the government is going to assume the entire financing role in housing.

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(10) Speculators are those who are awaiting a new, more profitable market and take limited interest in current occupants.

(11) The Boston banks have always shown limited tolerance for the red tape involved in Federal government programs. They have actively avoided Section 235 loans, which in other cities have offered moderate income families the possibility of homeownership and buffered deterioration in marginal areas. And since the BBURG experience Boston banks have sharply restricted their participation in the FHA Section 203 insured mortgage program. Their initial sensitivity to criticism was further exacerbated by the "disclosure statement" demanded by Romney of all lenders of FHA insured loans, attesting that no speculation or price inflation was involved. Broker and FHA appraisers would be more appropriate signatories to such a statement.

(12) As a rule banks issue such loans "as a favor" to despositors, rather than as a business. Refinancing also poses problems. In many instances the banks are more eager to see the mortgage paid up and refuse to refinance; in others, the owners are reluctant to convert a partially paid-up 6 percent interest mortgage to a higher rate, longer term obligation.

FHA Title I home improvement insurance, on the other hand, was limited to 7 year 32 day obligations $5,000 maximum (or $2,500 per unit). Interest rates varied, but included a ½ percent insurance premium on the face value of the loan until it was repaid. Not only was this term too short, but the maximum was too modest.

5. Government Red Tape.

Red tape blight is also a factor in deterioration. The citizens' need for an ombudsman in obtaining responsive action is apparently only partially served by the Little City Halls. Many departments are over-bureaucratized and hesitantly give out incomplete, inadequate, and sometimes contradictory information. Compared to the suburbs, with their tight building inspection divisions which handle all issues from zoning to code enforcement in close coordination with tax collection, Boston's housing bureaucracy, spread over too many agencies, seems a Kafkaesque nightmare. Building disasters and failure to adequately respond to earnest citizens suggestions have not helped improve the ordinary housing supplier's confidence that he will receive fair, expeditious treatment, whether he wants to buy an adjoining tax delinquent parcel or put in an upstairs bathroom. Streamlining this red tape would amount to a major incentive to the autonomous, private housing market to go about the ordinary business of maintaining and upgrading housing.

Similary, the very process of cutting up the City into zones, the residents of which are differentially offered such Federal assistance programs as the Community Improvement Program, has had a confusing and

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(13)Credit is appropriate when it can be repayable within the life of the durable good or improvements it makes possible. Thus a person improving a heating, electrical or plumbing system should be able to get longer term credit than a person repairing or undertaking fix-up tasks more appropriately termed maintenance.

perhaps jaundicing impact upon those not immediately eligible.

a. Real Estate Taxes -- City real estate taxes, to the extent that they are perceived as inequitable or confiscatory, also cause under-maintenance or disinvestment. Assessed valuations for similar stock types within the same neighborhoods often show remarkably wide variation; and differentials for similar stock types vary from one section of the City to another in a striking manner. For example, assessments are actually as high or higher for triple deckers in Dorchester or Jamaica Plain, than for triple deckers in South, or East Boston. Because of the low assessed values and uncertainties surrounding re-appraisal, owners are wary of taking out a building permit to make improvements. (14) As example, an owner of a dwelling unit worth $15,000 and assessed for $3,000, seeking a building permit to do $3,000 worth of maintenance and improvements, fears that his tax bill may double, regardless of the particular policy pursued by the Assessing Department in 1973.

b. Rent Control -- Where effective housing demand is strong and owners are showing tendencies towards tenant exploitation - particularly in student areas - rent control is an appropriate tool. In areas where effective demand is weak and tenants have inadequate incomes, it can only accelerate under-maintenance and disinvestment. Rent control is an especially crude tool that usually misses its target: the speculator. It has a political appeal that masks its economic dangers.

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(14) Arthur D. Little found in a study of 10 major cities that similar inequities and uncertainties lead to blight.

6. Decline in Homeownership or Changing Capabilities of Resident Owners.

The decline in homeownership resulting from restricted credit means first, that the treatment of residential structures increasingly is based upon investment criteria rather than pride in ownership (a problem in areas in which cash flows are limited by low incomes) and second, that residents are less likely to have a stake in the health of their neighborhoods.

These two implications of absentee ownership also characterize many of the increasing class of elderly homeowners whose limited incomes and energy restrict their participation in home maintenance and neighborhood activity.

7. The Inflation of Housing Costs by Union Codes and Other Restrictive Policies.

The cost of maintenance are artifically inflated where codes and restrictive practices prevent introduction of new, labor-saving techniques and technologies. For example, new copper and PVC pipe installation for repairing or upgrading existing plumbing systems is much simpler than methods and practices currently permissible. Marginally skilled labor, under good supervision, could perform tasks that are presently restricted to overpriced professionals.

8. The Threat of Enforced Lead Paint Removal.

Virtually all of Boston's housing built before the end of World War II has paint containing lead on its walls and trim. Since some children acquire a taste for this paint, with possible consequent mental retardation, political forces have declared the presence of such paint a serious housing violation, and hold the housing supplier responsible for its complete removal or for covering it up. Over three out of four housing units are thereby technically classed as substandard.

Stripping or covering the paint in a dwelling costs at least $1,000 per unit, yet this is the current "remedy" if the Housing Inspection Department were pushed into action. The likelihood of owners of marginal dwellings valued at $5,000 a unit investing such sums is remote. Already a number of housing inspectors are drawn into complicated procedures for documenting the presence of lead paint although it is present in virtually all cases; and Federal assistance programs now call for lead paint removal in all rehabilitation, doubling the cost of modest rehabilitation (such as in Community Improvement Program areas). Thus decent housing is being placed further out of reach of lower income households.

9. The Externalities of Neighboring Blight.

The value of any single structure is dependent upon the value of its neighbors. Unfortunately a prisoner's dilemma often occurs when each owner declines to maintain or improve his structure on the assumption that his investment will be undermined through his neighbor's neglect of his own property.

Likewise, if disaster strikes any particular owner through such factors as death, fire or vandalism, the structure will be restored if the market is healthy. However, where the neighborhood is less healthy, abandoned structures may accumulate, and their very presence has a multiplier effect, discouraging improvements and perhaps encouraging disinvestment. (15)

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(15)Housing abandonment by owners is an erratic symptom of neighborhood deterioration. Decline in specific services -- decent shelter and warmth, schools, safe and clean streets, credit and insurance availability -- are all interlinked, but many factors must come into conjunction to produce the severe curtailments in services that set the stage for deliberate abandoment by owners.

D. PRINCIPLES UNDERLYING POLICY INTERVENTIONS

To the extent that the economics of the income/cost squeeze - the inability of many housing consumers to demand decent housing - is the most important factor in residential blight, then the most effective form of policy intervention will involve itself in strengthening that demand.

The Lowry housing assistance plan addresses this problem. In essence, Lowry proposes that each household receive a monthly rent certificate worth the difference between what it can afford and the cost of standard housing. It then seeks its own housing in the market and uses these certificates in part payment. However, the certificate must be validated by the local codes agency, and only standard units may qualify. This formula thus allows for adequate financial return to the housing supplier and the payment of taxes, and actually forces proper maintenance to be carried out. Furthermore, it enables each household to seek its own quarters and bargain directly with the suppliers.

Unfortunately, although such a program is being administered experimentally in several cities, it is not available in Boston. Policymakers are therefore forced to conduct a holding action which seeks the almost impossible balance: keeping up maintenance, and keeping down rents.

In order to make this holding action more realistically related to the causes of blight, efforts must be guided by several principles which will be discussed below.

1. Policy Affecting Cash Flow Must Give First Priority to Preserving the Dwelling.

   Conflicting goals - viz. to save the tenant rent, to increase tax yield, to obtain a better return on equity, etc. - must be subordinated.

While taxes, amortization, fair return and low rent seem most important in the short run to the City, bank, owner and tenant respectively, in the long run adequate maintenance is most important. Without it, there will be no continuing tax yield, mortgageability, return, or even habitable units. Fines for code violations and strategies for rent withholding are only worth considering if the money is collected and goes towards making repairs.

2. Ownership Forms that Increase the Dweller's Stake in his Environment Should be Systematically Encouraged.

Tax and mortgage lending policies should be structured to foster more instances of resident ownership and condominiums (and possibly cooperatives) where the demand exists.

3. Deteriorating Structures in Residential Neighborhoods Should be Intercepted Rather than Allowed to Blight Adjoining Structures.

They should be intercepted while still inhabited in order to avoid the devastating vandalism which in some areas accompanies vacancy. The majority of substandard, inhabitable structures can be brought into code compliance for $2,000 per unit, whereas "gut rehab" costs at least $8,000. (16)

4. Resource Assistance Should Promote Better Tenant-Landlord Communication, Instead of Adversary Relationships.

Where subsidies are awarded to the supplier on behalf of "the poor," as in subsidized and public housing, the poor are thereby deprived of an economic voice by which to express preferences, and have little recourse but to adopt an adversary role against perceived oppressors.

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(16)These are costs to the owner. Public assistance programs to achieve these goals cost considerably more. See Section B, above.

5. Public Resources Should be Invested in Ways which will Stimulate the Most Investment by the Private Sector.

Of the total $291.7 million needed for fix-up, only $154.9 million is expected to be supplied spontaneously by the private sector, and this sum is expected to be invested basically in units in the A and B categories. (17) Public assistance should be concentrated in those structures and those areas where its effect will be to restore the confidence of private investors and to encourage their activities.

6. Housing Policy Formulation Must be a Process which Involves the Participating Agencies.

Proposed legislation should be evaluated and modified by all potential actors rather than thrust upon them provocatively as a set of finalized positions.

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(17)See Section B, Direct Fix-Up Costs, above.

E. STRATEGIES

The following elements of a housing revitalization strategy are particularly pertinent in the present moratorium on Federal assistance. They complement each other in a "critical mass" sense; they are so interdependent that implemented individually, they would prove relatively fruitless. Implemented jointly, they act like the carrots and sticks upon the proverbial donkey. These strategies include credit, code enforcement, and other city-wide tools.

1. Credit Availability

Restoring general availability of credit is the most important element in the revitalization strategy. It must cover the range from mortgages for the new resident owners to code repairs and house improvements loans by existing owners. To these ends key representatives of the City and the lending institutions must work together to resolve their past differences.(18)

Depending upon the ability to pay and degree of risk in individual situations, such lending should be available on a conventional, insured or subsidized basis.

a. Conventional Loans - Discussions with local lending institutions must emphasize the importance of restoring the practice of making mortgages and home improvement loans regularly and generally available to resident owners.

b. Insured Loans - Lending institutions should be encouraged to resume using the Federal programs for insuring lending (FHA 203 (b) and Title 1).

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(18) See discussion, page III-14, on past lending problems in Boston, notably BBURG. Lack of credit can cause rapid deterioration and much of Boston has been without adequate lending since September 1970.

In addition, all encouragement must be given to those institutions which are attempting to fill the gap in conventional lending by extending Federally insured mortgages and selling them to FNMA or GNMA.(19)

The gap in home improvement lending should be filled by a new loan guarantee program for 10-15 year term, nonsubsidized, financing.(20) It should meet the following conditions:

(1) Substantive improvements like new mechanical systems, insulation, better space utilization should be stressed rather than periodic maintainance items like roofs, siding etc.

(2) Coverage should be made available in any and all market areas where Federal or State agencies identify a suitable market context, but not in high deterioration areas.

(3) Ability to repay on the part of the borrower should be reviewed as with Title I.

(4) A public or quasi-public entity should administer the program. It could be a Federal or State agency, or an entity like MGIC (Mortgage Guarantee Insurance Corporation).

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(19) Two new mortgage companies are now on the scene and will entertain applications for FHA, VA as well as privately insured loans anywhere in Massachusetts. They are Malmart and L.M. Primack, and effective interest rates are around 8 percent per annum. It is too soon to tell whether these terms look favorable enough to buyers and residents in Boston. Malmart opened offices in September 1972 and is already doing 10-20 mortgages per month; L.M. Primack has just established a Boston Office for single family (1-4 unit) lending.

(20) Extending the terms of these loans is more important than attempting to reduce the interest rate. A comparative analysis of amortization rates reveals that in loans of less than 15 years, the monthly payment largely covers principal repayment, and interest impact is modest, even at higher interest rates.
At present many owners hold mortgages at 5 or 6 percent interest, obtained before the escalation in interest rates of the last five years. Banks eager to talk refinance often do so when it is not to the owner's advantage and owners will not refinance until interest rates are comparable. Title I loans, on the other hand are also inappropriate because the term is so short. The maximum is now too modest with inflation in building costs over 10 percent per year. Title I looks like an anachronism and refinance is currently disadvantageous, so there is a gap, even if lending insititutions were freely lending under these mechanisms.

(5) A premium on the part of the borrower should cover the costs to keep the program actuarially sound, but "faith and credit" must back the program in some way.

(6) No district lines or priority areas should be established discriminating between equally suitable areas.

(7) Code compliance certificates should be a condition of insurability but no restrictions on who does the work, minority hiring, or Davis-Bacon provisions should restrict insurability.

c. Subsidized Loans - Direct housing assistance is needed in situations where the cost of fix-up exceeds the ability to pay. Substitutes are needed for the Sections 312 and 115 home improvement loan and grant programs which have been terminated by the Federal moratorium. The City should actively seek a formula which minimizes red tape and avoids setting up a new bureaucracy for dispersing funds, and which gears the subsidy to household income and size rather than location and condition.(21)

Subsidies come in many forms. Counselling, technical assistance, or tax abatements for fix-up coupled with code enforcement are all potentially more productive forms of encouraging neighborhood fix-up than simply assisting owners pay the interest or improvement loans. A promising alternative to subsidized loans is a high risk loan fund, formed with the help of local lending and/or philanthropic institutions. In any case, loans for fix-up, reconditioning or, in exceptional circumstances, rehabilitation are best administered

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(21) Several State bills are currently pending, each with substantial drawbacks.

by several responsive housing counselling organizations,(22) operating in suitable areas throughout the City.

2. Code Enforcement

Strategies for code enforcement must be aimed at two objectives simultaneously: adopting code standards to present needs, and enforcing those standards. The goal of these strategies must be to achieve the difficult objective of preventing deterioration without provoking abandonment.

a. Code Standards - A more pragmatic and operational set of standards should be identified, within the State Sanitary Code, which takes into account the ability of both the owner and renter to pay for fix-up leading to

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(22) Pittsburgh's Neighborhood Housing Services, Inc. provides a good model. It is now on its fourth year of successful operation in the Northside neighborhood of that city. Neighborhood Housing Services, Inc. administers a Hi-Risk Revolving Loan Fund of $500,000 contributed for this purpose by philanthropic institutions. Loans are made from this fund to homeowners who do not meet normal credit standards, and participating financial institutions make all the "bankable" loans needed to bring all of the neighborhood's homes up to local code standards. This high risk fund leverages five times itself in conventional lending which would not be extended in its absence. Neighborhood Housing Services, Inc. also makes available assistance in negotiating with contractors, inspection of rehabilitation work, and counselling services with regard to housing and financial problems. The Pittsburgh organization derives its operating funds from participating financial institutions. Sixteen S. & L.'s, two commercial banks, and a savings bank contribute approximately $40,000 annually to Neighborhood Housing Services, Inc.'s administrative budget. This Pittsburgh concept has now obtained strong backing by the Ford and Clark Foundations. Pilot areas in Oakland, Washington D.C., Cincinatti, and Plainfield, N.J. are already underway; and a number of additional cities are following suit.

compliance.(23) Universal enforcement of codes is presently avoided because it may force abandonment (thereby benefiting neither owner nor renter). Guidelines must distinguish between more and less urgent situations, and in the case of the latter, where cash flow is insufficient to support fix-up, establish that tenants will face rent increases to help pay for the necessary fix-up.

These guidelines must arise from a shared conviction among tenants, owners and municipal agencies that code enforcement is a vital component in an holding action; they must evolve through a cooperative process among these groups -- a process that does not yet exist.(24)

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(23) In a building in which low income tenants are renting at rock bottom rents, it is unreasonable to expect the replacement of a heating system if during the winter the apartment temperature remains a few degrees short of 68 degrees. However, at luxury prices, tenants may be justified in demanding such an improvement.

(24) In Pittsburgh, such a set of standards, expressed in an objective point system, was evolved by the County Health Department, working over time with a group of concerned owners and tenants to mutually determine what was fair. While this set of standards, criteria, point system and back-up legislation are available for adaption to Boston, the groups involved must first recognize the need.

b. Enforcement - The recent creation of the Boston Housing Court has finally given the Housing Inspection Department some teeth for dealing with violations. While the Court has set up an escrow account, the concept of rent accountability is not yet universally accepted.(25)

A six month rent escrow law should be enacted to apply to any dwelling with certified impaired habitability: certification should be made in response to tenant complaints, and the tenant inititates the escrowing. This form of code enforcement is more effective in several ways than current means of court fines, administrative hearings, continuances, etc:

(1) The cash flow from rent is maintained.

(2) The entire cash flow is diverted to make the repairs if they are at all possible.

(3) The tenant will initiate the process if he thinks they are worth making (and worth paying for), but not if it will result in abandonment -- the mechanism is self-regulating.

(4) The owner is held responsible as far as possible, and third parties (the municipality or receivers) are not confusing this responsibility.

(5) If the process does not lead to abandonment by the owner, there is immediate feedback. The building can be intercepted before the tenants move out and vandals take over.

Amendments should be made to present legislation on rent withholding retaliatory evictions, rent receiverships, and municipal repairs, clarifying the obligations to collect, hold and account for rent monies. A non-partisan escrow agent should be appointed to hold rents in individual accounts and

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(25) Since under the rent withholding and receivership statutes owners are not assured of back rent when they complete repairs, and are uncertain what repairs are necessary to obtain such back rent, they often do not make the repairs.

inform owners of accumulating balances in order to avoid pro-tenant or pro-owner bias in administration.(26)

3. Other City-Wide Tools

a. Taxes - Tax policy may well be the most preferred city tool for housing revitalization since taxes are often the largest single element in the cash flow - ranging from one quarter to one third of gross rent. Strategies relating to tax policy are aimed in three directions: equalization, clarification and the provision of incentives for fix-up.

(1) Equalization - Assessment-market value ratios should be equalized so that the tax burden does not fall disproportionaltely on lower income areas.

(2) Clarification of Policy Relating to Fix-up - Policy defining which improvements can be made without reassessment(27) under what conditions(28) must be clarified. This policy must

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(26) A bill currently before the legislature focuses on remedial situations and allows the tenant to escrow rents for up to six months to have the situation corrected. In effect it is like putting the rent in a glass jar. If the owner complies within the six months, he is awarded the rent; if he does not, it is all returned to the tenant.

(27) Such improvements are basically those which bring those dwellings up to code standards or do not change the rental class of the dwelling. Such outdoor repairs should include painting and the repair or replacement of porches, steps, masonry, fences or roofs. Such indoor repairs should include new ceilings; replacement of plumbing, light fixtures, and a furnace with one of the same type; added closets; and wiring modernization.

(28) If an application for rent increase is made as a result of the work, then the tax situation on the property should be reviewed.

be publicized so that owners can know with certainty what they can expect when improvements are made.

(3) Incentives for Fix-up - The City should substantially decrease or forgive back taxes on a case to case basis to make rehabilitation work economically feasible.(30)

The impact of re-assessment should be phased in for those improvements that fall between fix-up to code and gut rehabilitation.(31)

A tax credit system should be designed in order to act as a special incentive for particular improvements, types of structures, owners and/or locations. Pilot demonstrations should be initiated immediately in order to provide models for adaptation under Community Development Revenue Sharing.(32)

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(29) At the present such clarification has only been made in Community Improvement Program areas.

(30) How to achieve this without encouraging more tax delinquency, remains to be worked out.

(31) Pittsburgh, New York City and a number of other cities provide models for adaptation.

(32) An area should be chosen (Allston-Brighton is now under consideration) where any resident owner of a one to four unit structure who can obtain an Housing Inspection Department code compliance certificate (before 1975?) is eligible for a one-time tax credit of 10 percent of the amount spent (up to $3,000 per unit) in removing violations. This would hopefully spur visible improvements in the area which would continue beyond the period of tax credit availability.

b. Rent Control - The upgrading of the housing stock cannot occur without someone bearing the cost, and rent control should provide for a reasonable distribution of that burden. Otherwise it can only work at cross purposes with a policy of housing revitalization.

(1) For improvements which bring a dwelling up to code standards, rent increases should be allowed that permit recovery of the cost of improvements over a specified period of time.(33)

(2) Rent Regulation 8, which took affect on March 1, 1973, allows for the decontrolling of all units for which reconstruction or rehabilitation makes the unit substantially as good as new. At present the upgrading cost threshold for decontrol is $10,000 per unit. The administration of this regulation will have to be watched closely to determine whether this threshold is an appropriate one.

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(33) Eight years is an appropriate period of time where market strength is reasonable. Improvements costing $2,000 may thus increase rents by approximately $20 per month. Although the terms of the home improvements loan - where it is necessary -- will increase the final cost to the owner (a $2,000 loan at 9 percent interest for five years costs $41.60 per month, and calls for repayment of $2,495.60), the owner retains the added value of the building.

c. Housing Information System - A housing information sharing system is needed to serve several functions: to act as operational files allowing for the centralized retrieval of information on individual parcels and thus reducing bureaucratic red tape; to measure the impact of the strategies discussed above and act as guidelines for their administration; and to provide early indications of market malfunctioning.(34) A parcel-based system meeting these criteria could be developed among the Rent Control Administration, the Housing Inspection Department, the Assessing Department and possibly the Building Department, including such information of parcel history as ownership, sales prices, rents, taxes, violations, and the rate of tenant turnover. In the absence of a system covering every parcel, a system based upon sample properties could still fullfill the latter two functions.

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(34) For example, such a system could help identify those areas in which particular holding activities should be concentrated. It could help the interception of buildings which are in the process of being abandoned; help determine whether buildings should be fixed up or demolished, and where back taxes should be forgiven.

d. Rehabilitation and Demolition - Until the above strategies are implemented, an entity functioning as "warehouser" of abandoned houses could serve a limited purpose. It should be able to determine whether demolition or fix-up is required. In the case of demolition, it should have final say. Where fix-up is appropriate, it should be able to convey or arrange for the auctioning of such properties to redevelopers responsive to community needs.(35)

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(35) Housing development corporations offered promise in the late sixties, but the record of community-based corporations has been very disappointing. Such a role must be exercised in a hard nosed manner to avoid attempting to fix-up those structures that the market has rejected. And it is questionable whether h.d.c.'s can function at all in the absence of special subsidies. In any case, housing development corporations are only needed when the other strategies are not functioning properly; they can only attempt to cover up the symptoms of failure of a city housing policy.

CHAPTER IV

MIDDLE AND UPPER INCOME HOUSING POTENTIAL AND POLICY

A. INTRODUCTION

Earlier chapters have outlined the demographic and employment changes which have taken place in the City over the past decade. A gain of 55,000 service activity jobs, a one-fourth growth in real income levels, and continued bright economic prospects for the future, all present a promising potential for middle and upper income housing in the City. This potential is particularly apparent for certain types of households in the Core Area of the City, and Boston is on the threshold of an era which may see the Core Area become an even more exciting and interesting place to live for additional numbers of middle and upper income households.[1] This chapter aims at describing this potential and outlining the tools for encouraging it.

The first section of the chapter will review the past and present housing situation in the Core Area in general, and the current tight market for housing in particular. The second section will go on to describe the sources and magnitude of potential demand in this market over the next decade. This potential is projected to be

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[1] A simple, practical distinction will be used between middle/upper and the low/moderate income housing: the former group will refer to privately constructed new housing (no direct mortgage subsidy) and the latter group requires either one or a combination of mortgage subsidy, public housing or rent supplement programs. The income level at which this line is drawn is generally between $10,000 and $12,000, depending upon the number of persons in the household.

in the order of 15,000 to 26,000 dwelling units. Realistically however, this demand will not materialize unless a number of existing institutional impediments to development are modified, or eliminated with their possible replacement by new tools. As a consequence, the third section of the report is a fairly detailed discussion of development policies and strategies.

The basic assumptions underlying this chapter are first, that middle and upper income households are an asset to the City and second, that a more intense form of urban development is a suitable future for Boston's Core Area.

The advantages to the City of increasing the number of middle and upper income apartment dwellers results from cost-benefit considerations relating the amount of additional tax revenues generated by these households to the amount of services utilized. It also results from the greater diversity in cultural, entertainment and retail establishments which such a population can help support. While the latter appears intuitively obvious, the former is open to question and should be the subject of serious study.

The assumption that more intense urban development is suitable in the context of Boston's environment is not to argue that growth per se is good; rather, that through thoughtfully considered design this increase can be accommodated not only without violating the the unique human scale of the Boston Core Area, but also while adding to it aesthetically. This requires that planning proceed only with

full consideration of the environmental impact of the new development; this impact must be considered in determing general design principles for future development as well as in deciding the merits of each proposal.

Socially, the impact of new development may be destructive, either through the direct displacement of low and moderate income households by large scale clearance or rehabilitation, or indirectly by the upward pressures on prices in areas adjacent to new development. If the ethical question is not clear enough in this situation, then the practical question of the costs of dealing with community opposition must be included in overall development planning.

While this report does not purport to deal with the form of new development - location, type of tenure, scale, income mix, amenities, community-oriented facilities, etc., these issues must still be addressed. Most important is the fact that development in some form will proceed, and the City must move into the role of actor rather than simply reacting to development proposals.

B. PRESENT HOUSING MARKET

1. Existing Supply of Middle and Upper Income Housing

a. Volume

In the decade of the sixties, 20,346 housing units were built in Boston, one quarter (5,190) low and moderate income units and three quarters (15,156) in the middle and upper price range.[2] Table IV-1 indicates the annual level of housing production for both subsidized and non-subsidized units. The tabulations clearly illustrate year by year fluctuations which are the result of a variety of public and private factors, such as changes in the interest rate of financing, zoning policy, building code requirements, urban renewal activity, etc.[3]

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2 Boston Redevelopment Authority, Research and Planning Departments, New Housing Production in Boston, April, 1973.

3 In 1965 the production burst was primarily in reaction to a change in the City's zoning policy and occurred primarily in the suburban sections of the City. In addition interest rates were favorable in 1964 and 1965, particularly when compared to the era of tight money which followed in 1967 and 1968. The noticeable rise of construction in 1967 can be attributed primarily to the completion of better than 2,200 units of subsidized housing built under Section 221(d)(3) of the Federal housing act in six planning districts. Since 1967 there has been a "leveling off" of total housing production in the City, although there have been fluctuations between subsidized unit and non-subsidized units. (In 1969 there was a dip in subsidized unit production, but this was compensated for by a rise in non-subsidized production. In 1970-72 the ratio of subsidized to non-subsidized units remained relatively constant, although there is still uncertainty regarding the 1972 numbers since all data is not available.)

TABLE IV-1

ANNUAL LEVEL OF HOUSING PRODUCTION

IN BOSTON

Year	Dwelling Units for which Building Permits were Issued *	Dwelling Units Completed **		
		Low-Moderate Income	Middle-Upper Income	Total Completed
1960	1,323	0	245	245
1961	1,714	108	789	897
1962	2,373	817	616	1,433
1963	4,032	202	914	1,116
1964	10,049	82	2,002	2,084
1965	3,426	388	3,637	4,025
1966	1,292	64	2,375	2,439
1967	1,817	2,284	1,883	4,167
1968	4,406	460	1,706	2,166
1969	2,684	785	989	1,774
1970	5,301	1,271	827	2,098
1971	2,117	865	653	1,518
1972	2,270	1,548	0***	1,548

* Source: Building Department

** Source: New Housing Production In Boston ... op. cit. (Table IV1)

*** The 1972 private construction total has not been compiled, but has been estimated at 700 dwelling units.

At the present time there are 5,960 housing units under construction in the City, of which 2120 are priced for middle and upper income households.

b. Location

During the 1960-1969 period, over 3000 dwelling units, or 20 percent of the 15,156 middle and upper income housing units completed, were built in the Core Area.

Figure IV-1 is a map which shows this area and the locations of these housing developments. Since 1970, two thirds of the City's new construction of dwelling units for middle and upper income households has been concentrated in the City Core Area. The fact that since 1970 these neighborhoods have already surpassed their previous nine year rate of building signifies recognition by public and private investors alike of the rebirth of the City Core as a place to live.

c. Rent Levels

The City Core Area clearly possesses a concentration of middle and upper income households. With about 37,000 dwelling units in 1970, the Core represents approximately 17 percent of the City's 232,000 dwelling units. However, the Core contains over 84 percent of the households paying over $300 per month rent and over 54 percent of those households paying over $200 per month.

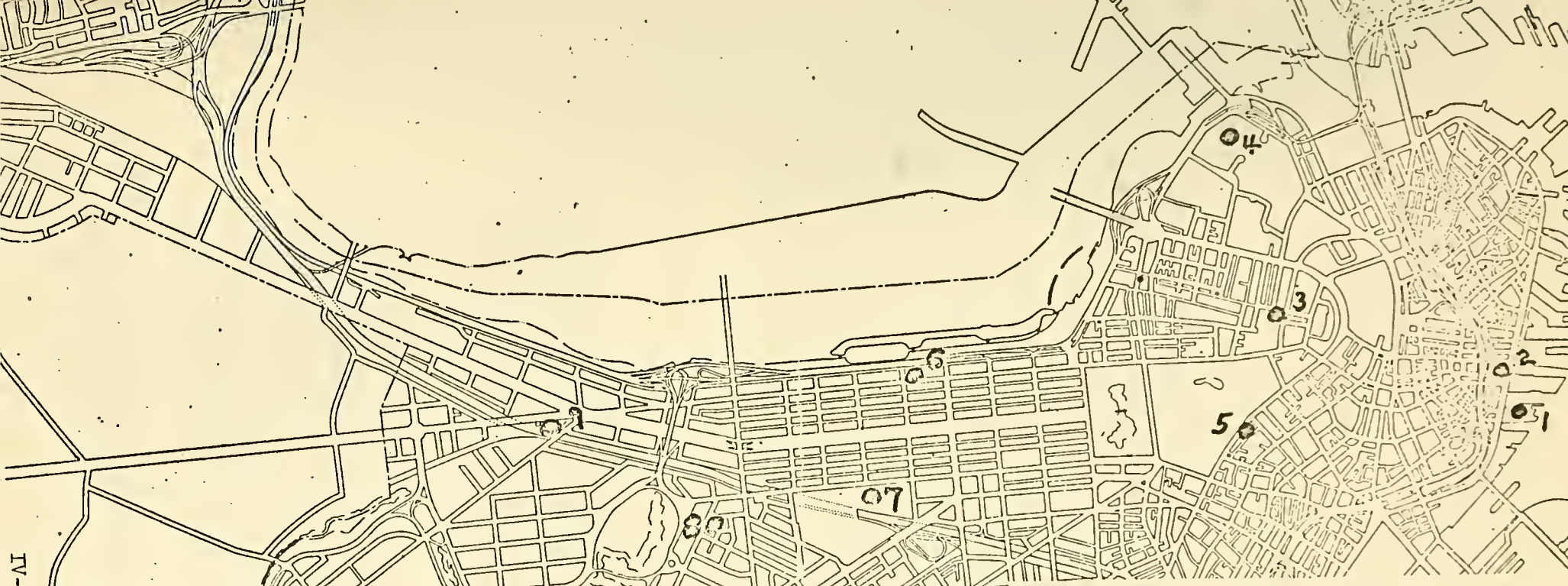

Figure IV-1

BOSTON APARTMENT BUILDINGS IN SURVEY

Key	Development	Dwelling Units
1	Harbor Towers	624
2	Prince Building	42
3	Bostonview Apts	146
4	Charles River Park	1409
5	Tremont-On-The-Common	360
6	330 Beacon Street	80
7	Prudential Towers	785
8	Stoneholmn Apts	120
9	Kenmore Square Apts	110
10	Charlesbank Apts	276
11	Back Bay Manor	290
12	Back Bay Towers	146
13	Jamaica Way Towers	286
	TOTAL	4674

2. Present Demand

a. Market Indicators

There are a number of indications that the current demand for middle and upper income housing in Boston is extremely high. One direct indication is the low vacancy rate in this housing class. Two surveys of vacancies made a year and a half apart have shown consistantly low vacancy rates -- in the order of one to three per-cent[4] -- with the exception of Harbor Towers.[5]

The abnormally low vacancy level for this market, well below the four to six percent normal turnover or "frictional" rate, demonstrates a strong demand for quality apartment development in the central areas of Boston. This tight market condition has resulted in long waiting lists for certain units,[6] the possible loss

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4 Both vacancy surveys were performed by Gladstone Associates. The first survey was performed during the Summer of 1971 for Boston Urban Associates and was documented as Table III-19 in "Luxury Rental Opportunities," July 19, 1971. The second survey was conducted during the winter of 1973 for the Boston Redevelopment Authority. Copies of the original Gladstone tables, together with a summary table are presented in Appendix I of this report.

5 With the inclusion of the latest development, Harbor Towers (624 dwelling units), which was completed at the end of 1971, the current overall vacancy rate is in the order of seven percent. The relatively slow absorption rate of Harbor Towers (about 200 dwellings per year), illustrates that even a strong demand will not respond when quality, supporting infrastructure, basic amenities and/or convenience are lacking. The sensitivity of the demand in this market raises questions, to be discussed later, concerning the role of public agencies in overseeing such aspects of development as phasing and quality.

6 "Luxury Housing Opportunities" op. cit.; Gladstone notes that four of the surveyed developments have reported waiting lists for a number of years.

to the Boston market of some households to the booming surburban quality apartment market,[7] and strong initial developer interest (discussed in the next section).

b. Components of Demand - Household Characteristics of Core Area High Rise Residents

Another dimension of the new Core Area apartment market is the characteristics of the households occupying new dwelling units. The Authority has recently completed a survey of such households providing new information on household composition, income, and employment, as well as past and present dwelling unit characteristics. In addition, plans regarding future moves as well as locational and dwelling unit preferences were ascertained.[8]

Previous studies in Boston and other cities of households that occupy units in this sub-market have shown that these households constitute a readily distinguishable group in terms of the characteristics mentioned above.

Confirming this, the recent survey shows that relative to Boston's population as a whole, a much greater proportion of the residents in the new high rise apartments moved to their present

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7 A recent study by Harvard University Graduate School of Design Professor Robert Schaffer deals with the suburban apartment market, and presents data definitely suggestive of a competitive city vs. surburb competitive situation. His example of the suburban town of Framingham is typical. Here he found that while only 2.3 percent of Framingham workers were employed in Boston's CBD, the corresponding distribution of workers from the new apartments who worked in Boston's CBD was 17.0 percent.

8 In December, 1972, the Boston Redevelopment Authority Research Department contracted with the Survey Research Program of the University of Massachusetts, Boston, to conduct a survey of the residents of mostly high rise apartment buildings constructed or substantially reconstructed since 1960. A sample of 163 residents were drawn from a population of almost 5,000, located in 13 developments. Figure IV-1 lists and shows the locations of these projects.

residence from outside the City. The high rise tenants have a much higher concentration of one and two person households with an almost total absence of children. Furthermore the new residential tower occupants have much higher income levels and pay significantly higher rents.

Prior Residence

The proportions of new tower residents are approximately evenly divided in terms of those moving in from outside the City (49.2 percent) and those moving from some other area within Boston (50.8 percent). Approximately 30 percent of the households are from the other parts of the SMSA and a surprisingly high 20 percent represent direct inmigration to the Boston Core from outside the SMSA (see Table IV-2).

Nineteen Seventy census data on the prior residence of Boston's population at large in 1965 shows a much smaller inmigration from outside the SMSA (10.4 percent) and from elsewhere in the SMSA (9.4 percent). These figures, when compared with 49.2 percent inmigrants for luxury housing, strongly indicate that the new high rise luxury apartments are a potent force for attracting households from outside of the City.

As many as 40 percent of those moving into the high rises are also changing from an ownership to a rental tenure, (see Table IV-3.) This tends to refute the commonly held notion that single family homeownership represents an invincible citadel.

TABLE IV-2

NEW CORE AREA RENTERS AND CONDOMINIUM OWNERS BY LOCATION OF PREVIOUS RESIDENCE

Location of Previous Residence	Renters (163)	Condominium Owners (43)
Back Bay	21.5 %	30.2 %
Beacon Hill	8.6	9.3
Brighton	6.1	2.3
Charlestown	0.6	0.0
North End	0.6	0.0
West End	3.1	4.7
South End	0.6	2.3
Boston, other	11.0	9.3
TOTAL, Boston	52.1	58.1
Cambridge	4.3	2.3
Brookline	5.5	7.0
Newton	4.3	7.0
SMSA, other	15.4	2.3
TOTAL SMSA, Outside of Boston	29.5	18.6
Massachusetts, Outside of SMSA	2.5	7.0
Outside of Massachusetts	15.9	16.3
TOTALS	100.0 %	100.0 %

TABLE IV-3

PREVIOUS TENURE OF NEW CORE AREA RENTERS, BY LOCATION OF PREVIOUS RESIDENCE

Tenure	Location of Previous Residence		
	Boston	Remaining SMSA	Outside SMSA
Owned	9.4 %	38.7 %	39.5 %
Rented	89.4	61.3	55.8
Other	1.2	0.0	4.7
TOTAL	100.0 %	100.0 %	100.0 %

The major source of current demand within the City is the Back Bay area, with 21.5 percent. As might be expected, almost 90 percent of those moving from within the City into new high rise structures rented their previous dwelling unit.

Household Composition

The family composition of those living in the new high rise structures is not typical of Boston's population in general. Over 90 percent of the households contain only one or two persons, with one person households representing about 50 percent of all apartment units surveyed. The comparable city-wide figure for one person households is 35.2 percent.

The high rises are not favored by those raising children: only three percent of the households have minor children present compared with 32 percent of the City's households.

The age distribution of household heads living in the luxury high rises is remarkably similar to that of the City as a whole (see Table IV-4.) The minor exceptions to this general observation are the relatively greater proportion (23.4 as opposed to 18.0 percent) in the 25 to 34 year age bracket; and smaller proportion (10.0 as opposed to 11.5 percent) in the 19 to 24 year bracket.

Cohabitation by unrelated individuals in these apartments (7.2 percent of all households) is greater than in the City as a whole (6.4 percent), yet less than such Core areas as Back Bay-Beacon Hill (8.7 percent) where there are large concentrations of students and unrelated individuals.

TABLE IV-4

NEW CORE AREA RENTERS AND CONDOMINIUM OWNERS, AND CITY RESIDENTS, BY AGE OF HOUSEHOLD HEAD

Age	Core Area		City of Boston*
	Renters (163)	Condominium Owners (43)	
19-24	10.0 %	4.9 %	11.5 %
25-34	23.4	22.0	18.0
35-44	14.7	17.1	14.7
45-64	31.3	46.4	33.3
65-85	20.7	9.6	22.5
TOTAL	100.0 %	100.0 %	100.0 %
Median	46.0	46.1	45.8

* 1970 U.S. Census

Household Income

A comparison of the income levels of Boston's households with that of the new apartment renters clearly demonstrates the middle and upper class composition of the latter. In 1970, only 35 percent of the City's households had incomes of more than $10,000 (see Table IV-5.) In contrast, 81 percent of the households in the residential towers have incomes of more than $10,000. At higher income levels the disparity is even greater. The percentage of new high rise households making more than $25,000 per year is ten times that of the City's 1970 households.

Employment

The type of work performed by the dwellers surveyed reflects the income and education levels previously noted. Over 75 percent of the workers are either managers or professionals, with the next largest group - 14 percent, being clerical workers. This compares with the city-wide resident figures of 22.5 percent manager-professional and 26.9 percent clerical. When the type of work performed by the tenants of the new residential towers is compared with other households in approximately the same geographic area, a smaller difference in occupation is observed. For example, in the Back Bay-Beacon Hill planning district 46.3 percent of the work force are in the manager-professional category, and 27.5 percent are in the clerical category.

TABLE IV-5

NEW CORE AREA RENTERS AND CONDOMINIUM OWNERS, AND CITY RESIDENTS, BY HOUSEHOLD INCOME

Income	Core Area		City of Boston*
	Renters (163)	Condominium Owners (43)	
$ 0-7999	9.9 %	0.0 %	50.6 %
8000-9999	8.6	2.5	14.5
10000-14999	19.2	15.0	21.0
15000-24999	31.8	30.0	11.0
25000- +	30.5	52.5	2.9
TOTAL	100.0 %	100.0 %	100.0 %
Median	$18,368.	$25,438.	$7,835.

* Calculations by Research Department, Boston Redevelopment Authority, based upon 1970 U.S. Census Data.

Rent Levels - Unit Size

Median gross rent for the apartment units in the study population is $300 per month as opposed to the 1970 City median of $126 per month (see Table IV-6A). The exclusiveness of these new apartments is highlighted by the fact that less than two percent of the City's units rent for more than $300 per month.

The number of rooms and bedrooms per apartment roughly corresponds to what would be expected from the family size and composition data (see Table IV-6B.) The most common size apartment (43.2 percent of units) is the 3 room unit; 56 percent of all units have one bedroom.

Locational Preferences

The reasons given by survey respondents for moving from their previous location and for selecting their present one are shown in Tables IV-7 and IV-8. The most important reason for leaving their residence related to a change in school or job, or a desire to be closer to work for25 percent of the respondents; and a change in family status for 15 percent. The most significant single factor in the selection of the present dwelling location was "ease of getting to work," with 71.5 percent of the respondents indicating that this issue was "very important"; 17.4 percent that it was "somewhat important"; and only 11.1 percent expressing that it was "not important". The importance of place of employment as a determinant in the residential location decision process makes it a key factor in estimating potential demand.

TABLE IV-6A

CHARACTERISTICS OF CORE AREA UNITS: NUMBER OF ROOMS AND BEDROOMS

Number of Rooms	Rental Units (163)	Condominiums (43)
1	12.3 %	0.0 %
2	15.5	0.0
3	43.2	24.2
4	22.6	42.4
5	5.2	21.2
6	1.3	6.1
7	0.0	00.0
8+	0.0	6.1
TOTAL	100.0 %	100.0 %
Number of Bedrooms		
efficiency	14.4	0.0
1	56.1	27.3
2	25.2	60.6
3	3.2	9.1
4+	0.6	3.0
TOTAL	100.0 %	100.0 %

TABLE IV-6B

CHARACTERISTICS OF CORE AREA UNITS: MONTHLY GROSS RENT

Rent	Rental Units (163)
$ 100 - 199	8.3 %
200 - 249	15.4
250 - 299	23.8
300 - 349	23.8
350 - 399	10.3
400 - 449	7.1
450 - 499	1.3
500 - 549	4.5
550 - 599	1.3
600+	3.8
TOTAL	100.0 %
MEDIAN	$ 305.00

TABLE IV-7

NEW CORE AREA RENTERS, BY MOST SIGNIFICANT REASON FOR MOVING FROM PAST RESIDENCE*

Most Significant Reason	
Change in family status	14.9 %
Change in school or job	14.9
Problems with dwelling unit	13.6
Inconvenient to work	9.7
Size of dwelling unit	9.1
High rents	4.5
Evicted	4.5
Crime, lack of safety	4.5
Community composition	2.6
Inconvenient to public transportation	1.3
Others	13.9
TOTAL	100.0 %

*
Percentages are based upon 163 responses.

TABLE IV-8

NEW CORE AREA RENTERS, BY IMPORTANCE OF FACTORS INFLUENCING RESIDENTIAL LOCATION

Factors Influencing Residential Location	Importance* "Very"	"Somewhat"	"Not"
Safety of neighborhood	38.8 %	27.5 %	33.7 %
Quality of public schools	0.6	1.3	98.1
Availability of parks	5.7	16.3	78.0
Proximity to shopping	38.8	39.4	21.8
Convenience to work	71.5	17.4	11.1
Proximity to restaurants, cultural activities	37.9	41.0	21.1
Proximity to friends, relatives	8.7	26.1	65.2
City life	37.8	34.6	27.6

* Percentages are based upon 163 responses.

Choice of Dwelling Unit

In selecting their dwelling unit, the most important single feature cited was building security, which was given by almost 70 percent of the respondents (see Table IV-9). The importance of building safety compliments the relative indifference to neighborhood safety, which does not figure highly in the locational choice.

The next most significant feature was space and room size, cited by almost 50 percent of the respondents. View and appliances were "very important" to 36.8 and 34.2 percent of the apartment respondents respectively.

The presence of in-building recreational facilities were the least significant factor in dwelling unit selection, with almost 70 percent of the respondents indicating that these were "not important."

TABLE IV-9

NEW CORE AREA RENTERS, BY IMPORTANCE OF FACTORS INFLUENCING CHOICE OF UNIT

Factors Influencing Choice Of Dwelling Unit	Importance* "Very"	"Somewhat"	"Not"
Space, room size	47.4 %	37.0 %	15.6 %
Room layout	22.2	48.4	29.4
Appliances	34.2	37.4	28.4
Recreational services	13.8	16.5	69.7
Building security	69.7	23.7	6.6
View	36.8	32.9	30.3

*Percentages are based upon 163 responses.

3. The Condominium Market

The newest feature in the current housing market is the conversion of rental units to condominiums.[9] While the condominium market is still insignificant in size, its potential is great enough to merit separate consideration.

a. The Present Supply

At present there are 25 to 30 condominium buildings, containing an estimated 500 units,[10] all of which resulted from conversions of existing rental units.

These conversions have occurred almost exclusively in the Core Area and, as Figure IV-2 shows, are concentrated in Back Bay-Beacon Hill. The median sales price of these condominiums is $42,000.[11]

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9 While enabling legislation was passed in 1963, the attitudes of developers, financial institutions and the buying public was initially very cautious.

10 These numbers are approximate because conversions to condominiums are announced each month and the number of actual units sold is thus a function of how fast the units become available for sale as well as the rate of market acceptance.

11 "Towards a Condominium Policy in the City of Boston," Draft Report, Research Department, Boston Redevelopment Authority, February 12, 1973.

Figure IV-2

Locations of Condominium Developments
(Boston, June 1973)

b. The Present Demand

A recent survey of condominium owners,[12] in exploring the components of the actual demand, sheds light on the potential market for condominiums.

The median tenure of condominium owners is about 10 months, reflecting the newness of the market. Most of the condominium dwellers were drawn from the rental market (70 percent). Furthermore, almost 30 percent of the Boston condominium dwellers were living in their present unit as renters before purchasing it as a condominium, reflecting the captured market aspect of converting rental units to condominiums.

In Boston, the condominium population is wealthier than the luxury apartment population surveyed - as Table IV-5 shows, over 50 percent of the condominium owners have incomes over $25,000, as opposed to 30 percent of the apartment dwellers.

Household size among condominium owners is small - more than 40 percent are single person households, and over 40 percent are two person household. The heads of these households come from all age groups, but with a somewhat higher portion are between 45 and 64 years

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[12] The survey was performed in conjunction with the apartment dweller survey (see footnote 8). Because of the relatively small number of developments (10) and of condominium units (257) identified in Boston at that time, this survey was broadened to include condominium developments in Brookline (six developments, 92 units) and Cambridge (four developments, 68 units). A sample of 75 from this population of 417 households were interviewed; 43 of these households resided in the Core Area, and the responses of this group are reported here.

of age (Table IV-4.) This age group typically represents the "empty nester" group, with grown-up children who have left home. The "empty nesters" often are seeking a change to smaller living quarters, and a means of deferring capital gains on the sale of their previous single family house. They are also free to choose a location emphasizing adult convenience rather than proximity to a quality neighborhood school. The survey results show a very low percentage of urban condominium dwellers with minor children in the household, although the figure (nine percent) is slightly higher than the corresponding figure for apartment dwellers (three percent).

Wealthy, elderly retired households who comprise 12 percent of this market are similar in many ways to the "empty nesters," except that their locational desires are mainly based upon convenience to shopping, entertainment and cultural activities, and security, rather than upon easy access to employment.

In addition, despite the high price range of the current condominium market in Boston, the proportion of young households (in the 25-34 year age range) are not appreciably different from the proportion of the young among apartment dwellers.

c. Potential Demand

Indications of a strong potential demand for condominiums were obtained from the survey of Boston's new apartment house dwellers discussed above. Over 20 percent of the respondents indicated that it was "likely" that in the next few years they would decide to buy a condominium. Furthermore, a strong preference to buy in Boston was expressed by over 60 percent of this group. The

majority of these are in the 25 to 34 year old age market. Both the growth of this age group and the experience of some developers outside of Boston[13] suggest a large future demand among young professionals, both singles and couples.

The apartment dwellers who showed no interest in condominiums gave such reasons as expense, "legal problems" and resale problems. Considering the present state of the condominium market in Boston, which offers little choice in terms of location, price, or new construction, (this lack of choice was expressed by 70 percent of the condominium owners surveyed), the interest among current renters is promising. It is estimated that, based upon the success of efforts aimed at broadening the market[14] and improving marketing strategies to remove reservations concerning the condominiums concept, as many as 15 to 25 percent of the apartment dwellers currently not interested in condominiums could change their minds.

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13 For example, in a development in Brookline (60 Babcock Street), one real estate firm found that all their one bedroom and efficiency units sold almost immediately to young professionals. Since then that firm has become increasingly interested in the possibility of condominiums marketed solely to this "young" market, many of whom were found to be single.

14 A broader range of supply choice, especially in terms of price, is clearly a requisite for tapping this potential demand. A major problem is the difficulty of getting the price of a condominium conversion down below $30,000. This will involve conversion or new construction in areas of less intense developmental pressure and lower capitalized value, areas where current rents are relatively lower.

Finally, households are expected to continue returning to Boston to buy condominiums. (Approximately one-third of Boston's current condominium owners fall into this category.) Thus, based upon (1) apartment dwellers indicating a direct interest in condominiums, (2) apartment dwellers who could reasonably be expected to change their opinion, and (3) households who move from outside the City directly to purchase a condominium in Boston, a potential demand for 3,000 units is projected over the next several years.

d. The Advantages and Disadvangates of Condominiums to the City

Conceptually, there are both pros and cons attached to the creation of condominiums. In general, the advantages outweight the disadvantages.

One of the principle advantages is based upon the assumption that increasing home-ownership through condominium construction and conversion will bring increased stability to the housing market and better upkeep of the housing stock since home-owners have a greater stake in home, neighborhood and City. Results from the survey of condominium residents in the Boston area appear to confirm the assumption of increased stability. While as much as 28 percent of the residents of downtown Boston apartments indicated that they were likely to move in the next year or so, only 4.7 percent of the residents of condominiums contemplated such a move. Since young people make up one of the condominium markets in the Boston area, the additional hope is that increasing the opportunity for young people to own apartments in the City will in particular increase the stability and urban committment of this segment of the population.

A second advantage of condominium conversion is the concommitant increase in tax base for the City. With each condominium sale, the newly acquired unit is reassessed, and the City has consistently received increased revenue by virtue of such transactions.

Finally, Boston will be more inviting if it is able to provide a choice of tenure for people who prefer apartment living. A number of residents in existing structures desire to own, and condominium development through conversions and new construction will provide them with this opportunity.

On the negative side, the conversion of apartments to condominiums will mean that some tenants who either can not afford, or do not want, to purchase their unit will be forced to move. Where evicted tenants have adequate resources to find alternative housing, the free market should be allowed to take its course. However, the situation is more difficult for low and moderate income people. Low and moderate income tenants may not be able to purchase their units for a variety of reasons, such as lack of cash for the down payment, inability to meet possible higher monthly payments, and inability to get a mortgage loan because of the overly restrictive credit criteria of lending institutions. The dissatisfaction of at least some of those who are forced to move is likely to result in a political fight. The potential social and economic injustice to evicted tenants, and the resulting political effects, require handling the conversion of condominiums with great care and advance thought.

C. FUTURE HOUSING MARKET

1. Potential Demand for Middle and Upper Income Housing

Previous sections have presented evidence of a growing market for new, quality high rise apartments located in the Core Area of Boston. During the decade of the sixties, approximately 5,000 such units were completed and occupied with generally very low vacancy rates.

This section draws upon the recently completed surveys of Core Area high rise dwellers and office workers in order to identify the specific categories of middle and upper income households which constitute the potential demanders of housing in this submarket. Based upon this information, a potential demand ranging from 15,000 to 26,000 households has been identified. However, it is important to distinguish between forecasts of what the market demand could be ("potential demand"), and projections of what will actually occur. This distinction results because the supply response to potential demand is limited by a number of obstacles to development such as the lack of sites, the high costs of inner city development, bureaucratic obstacles, and awareness on the part of many that growth needs to be regulated and controlled to preserve the human scale of the City.

a. Methodology

Estimates of potential middle and upper income housing demand are based upon the assumption that future demand is primarily a function of changes in the number and location of service sector related jobs. The recently completed surveys of downtown office workers and dwellers are a major source of information for this analysis.

Results of the survey of residents indicated that downtown high rise dwellers can be divided into five categories based on the daily activities each performs: 1) those who are employed in the City Core; 2) those who are employed elsewhere in the City; 3) those who are employed outside the City; 4) those who are retired; and 5) those who are engaged in other activities such as students, part-time workers, etc. The distribution of respondent household heads by these five categories is as follows:

TABLE IV-10

NEW CORE AREA APARTMENT DWELLERS, BY DAILY ACTIVITY

Daily Activity	Total Households	Total Employed
Employed within City Core	41.0 %	54.0 %
Employed elsewhere in City	16.2	21.4
Employed outside City	18.2	24.2
Retired	12.9	-
Other (in school, etc.)	11.7	-
Total	100.0 %	100.0 %

A second assumption that will be used in estimating potential demand is that "demanders" will continue to be divided into these five groups. Analysis of expected changes in each of these demand components, coupled with predictions of shifting preferences, will be used to project high and low figures of potential demand. In addition, housing stock replacement needs will be added as a component of demand.

b. Potential Demand From Those Employed in the City Core

Those employed in the Core Area comprise the most important single source of demand for downtown high rise housing. In addition, Core Area job growth is a stimulus to the growth of retail and cultural activities, which in turn make the area a desirable place to live for those not employed in the Core. The future housing demand from Core Area employees is estimated as a function of the desire of Core Area workers to reside close to work, and the projected increase in Core Area office employment.

Residential Location Preferences

The survey of households in the new Core Area housing market demonstrates clearly the importance of the employment factor in residential location. Over 70 percent of the respondents indicated that the major reason for their choice of residential location was access to work, with only 11

percent indicating that this was not a factor in their decision. This result is consistent with the previously reported information that 54 percent of the employed heads of responding households worked in the Core Area.

More light on the role of central city employment in residential location patterns has been shed by results of a survey of workers in newly constructed Core Area office buildings.[15] Approximately 32 percent of these workers lived in the City of Boston and seven percent lived in the Core Area. In addition, almost eight percent of those who currently reside outside of Boston indicated that it was likely they would move to Boston within a year or two. These results refute the stereotype of office workers as outsiders, and indicates that more workers would like to live in Boston.

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15 The survey of office workers was performed during January 1973, by the Survey Research Program, University of Massachusetts-Boston, for the Boston Redevelopment Authority. The purpose of this survey was to obtain information, especially relating to housing characteristics, of office employees who work in newly constructed (since 1960), high rise office buildings in the Core Area. Interviews were conducted with a one percent sample from a universe of approximately 30,000 employees. Detailed results will be available in a forthcoming Boston Redevelopment Authority report.

Future of Core Area Office Employment

A continued increase in office employment is expected based upon the volume of quality office construction currently underway and on the drawing boards. (Appendix II lists those buildings scheduled for completion during the period from 1971 through 1980.) This construction is expected to proceed at a rate of approximately two million gross square feet per year. Experience from the 1960 through 1970 period showed a net increase in office space of 70 percent of the gross, reflecting necessary demolition and clearance. Assuming that the net to gross increased space ratio is constant, that office vacancy rates are stable[16], and that the utilization of space per employee continues to increase to about an average of 225 square feet per employee[17], then an annual average of about 6,000 net new office jobs will be created each year, over the next ten years[18].

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16 Despite the current rapid growth in office space, vacancies have been declining,--from an overall of 8.8 percent, in October 1971, to 8.2 percent, in April 1972, and 7.5 percent, in October 1972. In prime new space the vacancy rate is only 5 percent. Source: "Boston's Development Prospects; Commitment of the City's Future" statement of Kevin H. White, Mayor, City of Boston, January 1973.

17 The trend in use of new floor space per employee has been moving up steadily as the following suggests:

1950 - 100 ft^2/employee
1960 - 150 ft^2/employee
1965 - 200 ft^2/employee
1970 - 215 ft^2/employee

Potential Housing Demand

In light of the low vacancy in the City's middle and upper income housing market, the eight percent of office workers residing outside Boston who expect to move to Boston represents a significant interest which, combined with the seven percent of all office workers now living in the Core Area, could bring the short term potential future demand for Core Area housing to almost 12 percent of all office workers[19]. Combining this demand factor, (considered as a range from 10 to 15 percent of all new office workers), and the expected annual average of 6,000 net new office jobs, a potential annual demand for between 600 and 900 new Core Area units is estimated.

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18 Calculated as follows:

$$\frac{2 \times 10^6 \text{ gross ft}^2/\text{yr} \times 70\% \text{ gross-net factor}}{225 \text{ ft}^2/\text{job}} = 6220 \text{ jobs/year}$$

19 Present demand (seven percent) plus potential demand among those currently living outside of Boston (eight percent of 68 percent).

Shifting preferences of households in the future, may produce even higher levels of demand. Factors associated with shifting preferences include 1) the increasing desire of people to take advantage of Core Area amenities; 2) the increasing time and money costs of commuting; 3) the reluctance of suburban communities to allow the construction of apartments; and 4) recent national and local trends of middle and upper income households toward delayed parenthood and fewer children. All of these factors auger for an increasing share of urbanites among City office workers.

c. Potential Demand From Those Employed Elsewhere in the City

Approximately 16 percent of the people living in new Core Area apartments are currently employed in areas in Boston other than the Core. The future of this component of demand is dependent upon both the growth in jobs outside of the Core[20] and changes in the quality of living in the Core relative to competing residential

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[20] Total employment in Boston is expected to increase by 17 percent over the next ten years, reflecting the addition of approximately 90,000 new jobs. While two-thirds of this growth is expected to occur in the Core, 30,000 new jobs are expected to be created in other areas of Boston.

locations within and outside of Boston. While 16 percent of total Core Area housing demand may continue to be drawn from this pool, a more conservative estimate is eight percent.

d. Potential Demand From Those Employed Outside of Boston

A third component of demand is found in those households which choose to live in the Boston Core while working in other municipalities. This reverse commuting phenomenon supports observations of the qualatative transformation of the Core Area living environment. The current share of total demand from this group is 18 percent. While this proportion will be used to estimate potential demand, it may well be conservative since evidence exists to suggest an increasing share of reverse commuters among Core Area dwellers[21].

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21 In a 1970 Boston Redevelopment Authority survey of Core Area residents, 12.9 percent of all dwellers who worked (11 percent of all dwellers), were employed outside the City. In the recent survey, the proportion of reverse commuters among workers had grown to 24.2 percent (18.2 percent of dwellers), representing a doubling within approximately three years.

e. Potential Demand From Those Who Are Retired

A significant 13 percent of household heads of new Core Area high rise apartments are retired. Given a projected growth of this segment of our population and the growing trend toward early retirement, it is possible that this share of demand will continue into the future[22] and that a 13 percent share is reasonable for a high range estimate. However, since this group of households does not have residential location needs tied specifically to the Core Area, they are more vulnerable to competing suburban or southern locations. Therefore, one half (6.4 percent) of their present share, will be used for the low estimate.

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22 Recent estimates of the projected increase between 1970-1980 of the population 65 years and older are as follows:

City of Boston	8.7 percent
Boston SMSA	11.3 percent
State of Mass.	12.3 percent

Source: Boston Redevelopment Authority Research Department, Meg O'Brien, unpublished data. (It is assumed that the present relative distribution of income and other related factors will persist.)

f. Potential Demand From Those Engaged in Other Activities

The remaining demand group, composed of students, part-time workers, etc., make up 12 percent of the present total demand. Since no information is readily available to predict the future strength of this component five percent will be used as a cautious estimate for its potential share of future demand.

g. Potential Demand Due to Replacement Needs

Beyond the potential demand attributed to identifiable demander groups is a general component of housing demand resulting from the need to replace an obsolescing housing stock, at all rental levels. Since 1960 there have been approximately 40,000 dwelling units lost through demolitions and conversions. Based upon the current rate of demolition it is estimated that 10,000 to 15,000 dwelling units in Boston will need to be replaced over the next 10 year period[23].

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23 City of Boston, Building Department, Daily Entry Sheet Book records were employed to compute annual demolition rates, based upon permits granted, for the period May 1970 to December 1972. These are summarized here:

May 1970 - December 1970.....1174 dwelling units/year
January 1971 - December 1971.....931 " " "
January 1972 - December 1972.....626 " " "

May 1970 - December 1972.....1114 dwelling units/year

Since this data is based upon the granting of permits to demolish, its accuracy as an index is a function of the extent to which those losses occurring without benefit of a permit (fire, etc.) balance those instances in which a permit is granted but demolition is not actually carried out.

A conservative estimate of the potential demand due to replacement results from assuming that during the decade 10,000 dwelling units will be demolished; that at least one half of the replacement units will be produced for middle and upper income households; and that the Core Area share of this housing production will be in the vicinity of 75 percent. These assumptions yield an estimated replacement rate of 375 Core Area middle and upper income units per year or a total of 3,750 units for a 10 year period.

h. Total Potential Demand

The total potential demand, which represents the sum of the various demand components, is expressed as a range of values, reflecting the uncertainties in making projections. The low estimate of this demand is 15,000 units over the next 10 years; the high estimate is 26,000 units. (The distribution of this total demand among its components, and the method of calculation, are shown in Table IV-11.)

TABLE IV-11

ESTIMATES* OF POTENTIAL DEMAND FOR BOSTON CORE AREA MIDDLE AND UPPER INCOME HOUSING

Demand Components	Estimate Range (dwelling units/year) Low	High
1. Households Employed within Core Area	600	900
2. Households Employed Elsewhere in City	124	425
3. Households Employed Outside of City	279	478
4. Retired Households	93	346
5. Other Households (in school, etc.)	77	133
6. Replacement	375	375
Total Potential Demand Rate (units/year)	1,548	2,657
Ten Year Total Potential Demand (units)	15,480	26,570

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* The methodology employed in the potential demand analysis in this section can also be represented by a simple equation:

(Total Potential Demand, TD) = $\sum$ Demand Components

$$TD = \begin{Bmatrix}\text{Demand from those households employed within Core Area}\end{Bmatrix} + \begin{Bmatrix}\text{Share of demand from those employed elsewhere in City}\end{Bmatrix} TD + \begin{Bmatrix}\text{Share of demand from those employed outside of City}\end{Bmatrix} TD + \begin{Bmatrix}\text{Share of demand from retired households}\end{Bmatrix} TD + \begin{Bmatrix}\text{Share of demand from "other"}\end{Bmatrix} TD + \begin{Bmatrix}\text{Replacement}\end{Bmatrix}$$

Low Estimate:

$$TD = 600 + .08TD + .18TD + .06TD + .05TD + 375$$

High Estimate:

$$TD = 900 + .16TD + .18TD + .13TD + .05TD + 375$$

Even the more conservative end of the range predicts a great potential for middle and upper income housing in Boston's Core Area.

2. Future Supply

A review of the plans for the private development sector is encouraging. At present, there are 3,500 middle and upper income units which are either planned or proposed, 85 percent of which are aimed at the Core Area. Further, better than 16,000 units of middle and upper income housing are in the tentative planning stages,[25] (See Table IV-12), 80 percent of which is aimed at the Core Area. Thus a significant potential supply side response is clearly evident.

However, there are currently only 2100 units under construction, 95 percent of which are being developed in the Core. Assuming a two year construction period, this rate does not compare favorably with the sixties. Thus,while the development potential which has been set forth is ambitious but realizable , new housing in the City, particularly in the Core Area, will not be produced in the magnitude described without a concerted public effort.

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[25] Past and future housing developments, by individual project, location, year, and by financing type, are cited in "New Housing in Boston," Boston Redevelopment Authority, Research and Planning Departments, April 1973.

TABLE IV-12

NUMBER OF DWELLING UNITS BY COMPLETION YEAR AND BY FINANCING

DATE- 73/04/26 PLANNING DISTRICT- ALL

YEAR	FINANCING: SUBSIDIZED PUBLIC HOUSING	SUBSIDIZED MODERATE INCOME	ALL SUBSIDIZED	NON-SUBSIDIZED FHA	NON-SUBSIDIZED PRIVATE	ALL PRIVATE	TOTAL PRIVATE AND SUB
1960					245	245	245
1961		108	108	481	308	789	897
1962	560	257	817		616	616	1433
1963	82	120	202		914	914	1116
1964		82	82	466	1536	2002	2084
1965		388	388	287	3350	3637	4025
1966	64		64	687	1688	2375	2439
1967		2284	2284	558	1325	1883	4167
1968	186	274	460		1706	1706	2166
1969	288	497	785	444	545	989	1774
TOTAL (1960-1969)	1180	4010	5190	2923	12233	15156	20346
1970	168	1103	1271		827	827	2098
1971		865	865	624	29	653	1518
1972	204	1344	1548				1548
UNDER CONSTRUCTION	1168	2672	3840	1030	1090	2120	5960
TOTAL 1970 TO PRESENT	1540	5984	7524	1654	1946	3600	11124
PLANNED	105	299	404		1855	1855	2259
PROPOSED	173	3720	3893	300	1313	1613	5506
TENTATIVE	293	5039	5332	312	15746	16058	21390
PLAN-PROP-TENT TOTAL	571	9058	9629	612	18914	19526	29155

D. STRATEGIES FOR ACHIEVEMENT OF DEVELOPMENT POTENTIAL

Development in the City is a complex process often involving a multiplicity of public agencies. The previous discussion indicates that a number of development projects are already in the planned, proposed, or tentative stages. However, since many of these are still tentative, construction may well depend upon the extent to which the City plays a facilitating rather than obstructive role.

Projects must be carefully designed in accordance with overall planning and marketing considerations. The BRA can play an important role in the timing process, and a number of studies are currently underway in order to understand the design, environmental, marketing and financial factors that deserve attention. In addition, the City must be prepared to ease certain obstacles if Boston is to capture the volume of new housing which is potentially available. Some existing City tools will have to be oiled in order to more successfully perform the jobs for which they were orginally intended; other tools will have to be redirected towards new uses; and still others may have to be replaced with new tools having better and more varied features.

In considering development policies and strategies, this section first provides a brief overview of the obstacles in the development process towards which strategies must be directed. Next, the existing set of tools available to the City - specifically, the vital powers of eminent domain, bonding, zoning, property taxation and rent control - will be reviewed, and evaluated. Finally, new tools

as well as possible creative groupings or uses of old tools will be discussed, emphasizing the need for greater coordination among actors.

1. Obstacles in the Development Process

Development for the most part takes place by relatively small, highly leveraged entrepreneurs[26], thus limiting the scale of projects that can result. From the viewpoint of the developer, the process of development can be frustrating. Land must be assembled and purchased, and a multiplicity of approvals at City and often State and Federal levels must be obtained.

If a development project is in an urban renewal area, then the BRA can help by playing a coordinating role. However, in many cases the project is outside an urban renewal project, or the situation is such that numerous other agencies and actors are involved. The complexity of the process may have value in that it forces a rethinking and refinement of proposals so that the final product will better meet the interests and needs of the City and its citizens. Nevertheless, these institutional obstacles can become overwhelming, and the City bureaucracy often appears to a developer to be operating at cross purposes, with no central guiding force. The developer has no one person or place where he can turn in the City administration for help in facilitating approvals, except possibly to the Mayor himself.

To complicate the process even more, there are often a myriad of non-city agencies which are involved in development decisions.

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26 The most successful developers in New England rarely do more than 1,000 units a year. The entry of national housing firms in New England (such as Kaufman and Broad) may eventually change this.

Approval of the State Department of Community Affairs is involved in urban renewal projects. Further, the Massachusetts Turnpike Authority, the MBTA, and the Massachusetts Port Authority all control land in the City and have evolved development goals of their own, leaving the City and the BRA with little control over vital areas within their own boundaries. Delays, indecision, and lack of coordination all cost time and,as a consequence,money. With numerous actors involved and with the stakes in many cases high, the possibilities for development shrink or at best become cumbersome.

From the viewpoint of the City, frustration results from its relatively passive role when it comes to development proposals outside of urban renewal areas. In many important cases the City is approached by the developer and can only react to the initiatives that are proposed. The location of development is often set not by any local or regional growth policy, but by the availability of the parcel and by the developer's judgment that it is marketable.

It is at this point that tools must be applied to control but not impede appropriate development. The City must develop a better capacity for setting priorities through the effective combination of incentives and contraints. For example, an instrument such as zoning has potential not only as a constraining factor, but as an incentive to development. The power of eminent domain, if properly channeled, has been and can be a valuable tool in leading to the assembly of land and facilitating development activity.

2. The Power of Eminent Domain

One of the most important aspects of land development is the assembly of adequate sites of appropriate size and shape. In a city such as Boston, this process is made particularly complex due to high land costs, a complex mix of existing uses and competing demands, and records clouded by numerous transactions and ownership claims. If new development on a large scale is to occur in the City, the use of the power of eminent domain to assemble sites will be critical.

Eminent domain by the BRA has been the chief tool in assembling land in the urban renewal program. General State legislative authorization is contained in Chapters 121A, 121B; the particular authorization for Boston in Chapter 652; and for BRA planning powers in Chapter 665. Currently, the only allowable application of eminent domain in the State is for the "eradication of blight." While it is debatable whether or not eminent domain can be used outside of the urban renewal context through expanded definitions of public benefit, use and purpose, possibilities for the expansion of the concept include the following:

a. Expanding the definition of public purpose to justify the use of eminent domain not only for the eradication of blight but also for such critical uses as meeting City housing needs, at least at low and moderate income levels, and perhaps higher. For example, it may be argued that "the promotion of sound development in accordance with the needs of the locality" is of itself sufficient grounds for the taking of privately held land.

b. Providing for the greater use of the power of eminent domain outside of urban renewal areas, for example, through an expanded vehicle along the lines of a 121A corporation. (Use of eminent domain might then be limited to those parcels where there is only a small number of holdouts.)

c. Generally considering the power of eminent domain as one part of an overall City development strategy. (The possibility of some sort of a city development corporation will be discussed later.)

Eminent domain is a powerfull tool. The economic and political repercussions which often accompany the granting of this power means that careful consideration must be given to any expansion. Still, the difficulties involved in rebuilding Cities and the drying up of Federal monies require experimentation.

3. Bonding

Financing is possibly the most critical element in obtaining new housing development in the City. In turn, the capacity to issue bonds is the cornerstone of any City or State housing finance program. The tax-exempt features of these bonds, makes them highly attractive to high tax-bracket investors who receive a higher effective after-tax return than the face value of the bond. In turn this means that such bonds can be sold at an interest rate which is below the normal interest rate for financing in the private sector, and the difference on "savings" can be passed on to low and moderate income tenants in the form of lower rents or be used to cover such costs of site preparation as acquisition, demolition, or relocation of existing occupants.

A number of different types of bonds have been used to finance housing:

- Housing Authority Bonds - Differing from municipal bonds,

these are issued by local public housing authorities for the production of low income housing, and are secured by the full faith and credit of the United States of America.

- General Obligation Bonds - These are sold by the Federal, state or local government and secured by the full faith and credit of the issuer. The typical "municipal bonds" used to finance a city's capital budget are general obligation bonds, and with them comes the pledge of the issuer to raise funds by whatever means required, including a tax increase or sale of property, in order to honor its full faith and credit. (The Hawaii Housing Authority has been enabled by the state to issue such bonds and were recently able to market a bond at 4.6 percent with the charge to developers at 5.6 percent, far lower than other states.)

- Revenue Bonds - A revenue bond is the pledge of revenue from a specified income-generating facility. The issues are not ordinarily guaranteed, but a system of sinking funds and operating controls are established to assure investors that the facility will be maintained in good financial order, and commitments fullfilled. A reserve fund, backed by the city or state's intention to pay into the fund amounts equivalent to any deficits that may occur, is the most common method for securing a revenue bond. This is the means used by the Massachusetts Housing Finance Agency (MHFA) and by

most states adopting housing finance agencies, including New York City's Housing Development Corporation and New York State's Urban Development Corporation.

One of the most important aspects of Boston's development strategy in the seventies must be the development of appropirate means of expanding its bonding capacity. A number of methods might be used to achieve this objective:

a. Legislation has already been filed (H4066) to give authorization to the BRA to issue mortgage-type revenue bonds. Backed in this case by the faith and credit of the developer, the bonds could be used to help finance such projects as South Station and Park Plaza as well as housing for low and moderate income residents. If such legislation does not pass this year, continued thought should be given to enhancing the Authority's bonding capacity[27] to help facilitate new development in the City. Questions remain as to what definition of "public purpose" should justify the bonds, and upon what "faith and credit" they should be based.

b. The Public Facilities Department and the Economic Development and Industrial Corporation already have development and bonding powers, and it is possible that these powers could be utilized to enhance new development.

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[27] The BRA already has the power to issue bonds to finance urban renewal, but it is not clear that this power applies to the use of bonds to finance the direct development of specific sites.

c. The Boston Housing Finance Agency (BHFA) was passed by the City Council on June 26, 1972 and has not yet been acted upon by the General Court. This would provide Boston with a traditional housing finance agency backed by moral obligation and a capital reserve fund.

Such a finance agency has both advantages and disadvantages. Its advantages include the following:

- Boston would be able to determine its own local development policy, and initiate and carry forth development to completion.
- The availability of a financing source alternative to MHFA, the Federal government and the private sector is needed.
- High architectural and design standards could be set.
- Development could proceed more efficiently as the BRA processes and reviews, and the BHFA finances.

However, arguments against such an agency include the following:

- A BHFA may not be economically viable. The portolio may be too small to accomplish objectives in low incomes areas.
- A sufficient volume of loans are available through the MHFA and other private finance agencies.
- A BHFA would still depend on Federal subsidies to reach low income levels.
- The BHFA would be another bureaucracy, which may only serve to further complicate the development process.
- The BHFA may lower Boston's credit rating. (Even though not a full faith and credit obligation, it still is a factor in debt analysis.)

d. Still another alternative would be to establish a City or State development corporation which would have far-reaching development powers, one of which would be some sort of bonding capacity. Such an agency could be created as a new entity (such as New York State's Urban Development Corporation) or it could reflect a modifying and expansion of existing BRA powers.

4. Zoning

Zoning has traditionally been viewed as a devise to limit land use within pre-determined guidelines and to prevent abuse. However, the potential exists in certain areas of the City not only to use zoning as a constraining factor, but as an incentive to encourage the type of development considered most appropriate.

Concepts such as "incentive zoning" have been tried successfully in other cities. The basic idea is that within an overall set of land use objectives and guidelines the developer is permitted to build more than the current zoning regulations allow. However, in order to "pay" for this benefit, the City requires something in return - a public space, design amenity, special use of a portion of the project, etc. Since a large number of variances are already granted in the City, incentive zoning provides a means for the City to assure definite benefits for these variances. A system of such incentives or bonuses can be area-wide in their application or limited to special districts. Where they are limited to particular communities, local residents can be in-

volved in the selection of both incentives and benefits.

In order for the City to establish an incentive or bonus system four basic determinations must be made:

a. The aims and objectives of the system must be established, and these may vary geographically.

b. The appropriate array of amenities needed to fulfill these objectives must be specified.

c. A determination must be made as to the bonuses required to encourage developers to provide these amenities.

d. The administration of the system must be outlined.

A study on incentive zoning is currently being conducted to begin to identify the objectives of a bonus systems. Some of the possibilities are as follows:

- Increased open space (e.g. Staten Island's Common Open Space Bonus, N.Y.C.'s plaza bonus)
- Improved pedestrian circulation (e.g. mid-block pedestrian ways)
- Improved access to transportation facilities (e.g. N.Y.C.'s Special Greenwich Street District)
- Increased light and air
- Increased provision of desirable uses (e.g. N.Y.C.'s Theater District)

The development pressures currently stirring in a number of areas in the City could provide the opportunity to set up a series of bonus systems, each addressed to the specific problems of a particular subarea. Special district bonus systems that might be considered include:

- A Newbury Street Special District to protect and further encourage the unique mix of Special Retail, and Retail and Residential land uses, to provide a buffer zone between the residential land use of Back Bay and the commercial development along Boylston Street to prevent encroachment of office construction.
- A Waterfront Special District to deal with the special design and use problems of the waterfront and to take advantage of the waterfront's unique potential.
- A Broad Street Special District to encourage the conversion of existing commercial structures to residential use.
- An Entertainment and Theater District to guide growth resulting from development pressures emanating from the proposed Park Plaza Urban Renewal Project.
- A Jamaica Pond Special District (e.g. on the former Cabot Estate,) to preserve the existing character of the area, to provide extensions to the Olmsted green belt system, and to minimize visual encroachment of new residential construction.

5. Property Taxes

With the rising cost of public services, property taxes have been growing throughout the Nation and the State. Such a rise serves as a real deterrant to further development in Boston. Although ultimate relief must come from the State and Federal governments, certain things can be done at the City level such as working for alternate taxes - (e.g. a State Master Tax Plan, a preferred pro-

gressive income tax, a commuters tax.) The impact of a possible revaluation of assessment values to 100 percent of property values is currently under study.

6. Rent Control

With the passage by the City Council of State Law Chapter 842, the City adopted full rent control. Certainly rent control is a controversial and difficult issue. On the one hand rents have been rising rapidly in certain sections of the City due to heavy market pressures. Older and more permanent residents in particular are forced to suffer and protection is both necessary and appropriate. However, once adopted, rent control is almost impossible to eliminate. Rent control presents a psychological and often real hindrance to the housing market. If improperly administered, it could serve as a serious impediment to the development of new housing in the City, particularly in the Core Area.

Under Chapter 842 new houses constructed after January 1, 1969 are exempt from control. However, the week following the passage of 842, the City Council passed their own resolution which expanded control by specifically placing all FHA units under control and moving the date of exemption of newly constructed FHA units up to January 1, 1972. This move was a sign to the development community that each year the exemption data for new construction would be advanced, and in essence all units in the City would year by year come under rent control. The City should make it clear that new, unsubsidized housing will not be subject to control.

In keeping with this, some hearings have already been held for the decontrol of luxury apartment units in the City. It has been proposed that units which rent at a cost above a certain level and were built after January 1, 1960 would be exempted from rent control. To exclude such apartments from control would present a clear signal to developers.

Several additional provisions should be considered to increase the effective administration of rent control, including the following:

a. A simple procedure for passing on or sharing the rising costs of inflation with tenants (rising taxes, fuel costs, maintenance increases, etc.)

b. A provision to allow for the conversion of apartments to condominiums (discussed later in greater detail), providing for the eviction of tenants to facilitate conversions while protecting the interests of existing renters.

c. A formula for allowable profit and, as a consequence, maximum base rent.

7. Strategies Relating to Condominium Development

The conversion of units to condominiums was identified in an earlier section of this chapter as a beneficial and potentially significant new development within Boston's middle and upper income housing market. However, the City's application of the tools discussed above will be crucial in determining the strength of the conversion trend, as well as the extent to which new condominiums will be constructed. Of particular importance are tax policy and rent board eviction policy.

a. Tax Policy

The single most important item expressed by potential condominium developers regarding the City's attitude towards condominiums relates to tax policy. It is their contention that tax policy now discourages the development of condominiums in Boston.[28] Indeed, the survey of condominiums dweller indicated that high taxes were felt to be the primary problem by condominium owners in Boston, but not by owners in Brookline.

The Assessing Department has taken the position that condominiums should generally be treated as single family homes

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[28] Actually there are two aspects of the City's tax policy towards condominiums which some developers feel should be changed. The first is the high rate and that is discussed in the material above. The second is the consistency with which the rate is applied. It is the contention of developers that condominiums are one of the few, if not the only type of use in the City where the Assessing Department has one standard assessment policy across the board, not dependent on location and not dependent on other market considerations, and that this, in itself, constitutes a form of "injustice".

and assessed at 28 percent of their market value.[29] In combination with the 1972 tax rate, the effective tax rate is currently 5.5 percent of market value, higher than that of other towns in the SMSA, including such urban communities as Brookline and Cambridge. The outcome of condominium conversion is almost always additional tax revenue for Boston. In a recent survey of eight condominium conversions, (which are not necessarily representative), the conversion to condominiums meant increases in revenues to the City ranging from 9.3 percent to more than 50 percent. As a consequence of high taxes, some developers who have considered the possibility of developing or converting condominiums in the City have decided against it when they realized what the impact of taxes would be on residents' monthly housing costs.[30] Furthermore, the fact that there has been no new construction of condominiums in the City to date reflects this problem.

The conversion of condominiums does increase the value of a unit — it is usually accompanied by some upgrading, and the owner is entitled to such benefits of homeownership as accumulated equity and Federal income tax relief. Nevertheless

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[29] The assessment/sales ratio for single family homes in 1968 ran between 26 percent and 40 percent.

[30] The basic developers' "rule of thumb" in converting condominiums from a marketing point of view is that the monthly payments for purchase (interest, amortization, common area changes, and property taxes) should be as close to the former rent as possible. If it exceeds that rent by more than 20 percent, the feeling is that marketing problems will occur, particularly when trying to sell the unit to a former renter. Property tax changes in Boston often forces monthly payments quite a bit higher than rent, and serves as a deterrent to conversion.

the converted unit does not require additional city services, and although conversions represent an opportunity for the City to increase its revenues, it should not do so in a way which discourages condominium conversion and construction. Therefore a compromise solution must be reached by which the City may take advantage of the increased value of converted units without discouraging this positive trend.

b. Rent Board Policy Towards Evictions

The forced eviction of existing residents which often accompanies condominium conversion produces two types of problems. First, are the personal problems of those who cannot find any alternatives they can afford or who suffer difficulty in adjusting to relocation;[31] and second, the political clamor which may result. The Boston Rent Board has the power to rule on evictions arising as a result of the conversion of apartments to condominiums. In order to reduce current uncertainties in the minds of apartment house owners and renters, it is recommended that the Rent Board adopt the following policy:

> A certificate of eviction will be issued by the rent board in the case of a bonafide condominium conversion, but only if the following four conditions are met:
>
> - Proof must be provided that the project in question is a

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31 Elderly and low income residents are most likely to be adversely affected.

bonafide condominium. Such proof will be made by demonstrating that a master deed as required by Massachusetts General Laws, Chapter 183A, has been duly executed and recorded.

- Tenants should have thirty (30) days from the time they receive written notice of a conversion to a condominium to sign a purchase and sale agreement. Notice must include essential information concerning price, operating expenses, and organization of the condominium. Tenants not desiring to buy may have an additional sixty (60) days to move, i.e. a total of ninety (90) days. Any tenant under lease, of course, may have until expiration of the lease, if more than ninety (90) days.

- There should be a bonafide purchase and sale agreement on the unit in question. (The owner of the building would still be allowed to carry out and be responsible for eviction proceedings.)

- The owner of the building being converted shall pay the costs of moving up to a maximum of $250. Moving expenses shall be calculated at a flat fee of $50 per room (not including bathrooms) or at the actual costs up to a maximum of $250. Further, the owner shall be responsible for relocating the tenant to a comparable unit or will be required to pay the tenant a dislocation fee of $100. (If this could be done only in hardship cases it would be preferable. The question is how to define hardship cases.)

8. A City Urban Development Corporation

The City often finds itself in a passive role regarding development, and although the BRA and City agencies can cajole and apply incentives and constraints, the developer usually carries the final initiative. On the other hand, even when there is developer interest, problems like the "red tape stagnation", alluded to in the beginning of this chapter, hinder activity.

An oiling and redefinition of existing tools, as discussed above, may not be enough if the City truly desires to achieve its development potential for the seventies. One possible response which recently has been discussed, is a city urban development corporation which can both initiate the development process and cut through red tape. Interest in this type of entity demands that its powers, advantages, and problems be discussed.

While the actual grouping of powers of such an entity may vary, they would essentially include the following:

a. The ability to act as the actual project developer in order to both initiate the project in the planning stages, and carry the project forward to completion.

b. The power to float bonds for new construction which presumably would not fall under the City's debt limit.

c. The ability to creatively use the power of eminent domain in the assembly of development parcels.

d. The ability to alter zoning regulations when necessary so as to allow particular development (an ability which the BRA in essence already has through PDA's and the City's planning agency.)

e. The power to cut through City and perhaps State red tape through the elimination of such activities as mandatory competitive bidding, irrelevant civil service requirements, and special consideration in the approval processes .

f. The ability to give some or all of the value added by the project back to the City (rather than to the private developer as profit) to be used to subsidize other projects.

There are both advantages and problems inherent in the CUDC concept. The advangates include the following:

- A CUDC could tie developments closely to the planning goals of the City.
- The City would have greater ability to assemble land through creative use of eminent domain powers to meet an expanded definition of public purpose.

- Careful architectural and development analysis could be made by capable consultants and in house staff as contrasted to the cursory one or two man treatment allotted by many development firms.
- Rents could be lower with municipal bond mortgages than if a building was privately financed, because of lower interest rates for minicipal bonds than private financing.
- The CUDC would be able to sell the equity interest directly to investors interested in a tax shelter and retain that money for a public use to achieve lower rents, land write-downs for non-urban renewal projects, increased amenities, better design, subsidization of less feasiable projects, etc.

- A CUDC would be able to pool projects - transferring "profits" from a strong project to subsidize better architecture, larger apartments, or lower rents on other projects. As part of a strong group of projects, marginal areas which private developers and lenders would reject as too risky, like air rights parcels or sites with potential high foundation costs, could be feasible.
- A CUDC could experiment with modular construction.
- An urban development corporation which may be unacceptable at a state level (due to such powers as eminent domain and ability to override zoning) may be less threatening and hence more viable at a City level.

Problems inherent in designing and operating a CUDC include the following:

- Whether the bonds are marketable would depend upon whether the State legislature establishes a reserve fund, whether the bonds which are floated come under the City's debt limit, and how strong the initial projects are.
- Even if the CUDC bonds were not a full faith and credit obligation, weakness or failure of the CUDC's bonds could affect the City's bonds negatively.
- A CUDC would have the same problems that the BRA and private developers currently have in securing essential subsidies for low and moderate income housing, e.g. Section 236 and/or MHFA, Public Housing commitments, etc. from the State and Federal Governments. Even though a well-run CUDC should be able to generate some positive cash flow from equity sales, etc.,

the State and Federal subsidies are necessary.

- The State Legislature might oppose the concept, both for political and more substantive reasons. If established, State approval for projects will probably be necessary, although if handled properly this could have positive as well as negative implications.
- A legally separate corporation might just establish another layer of bureaucracy, and with top-rate private development firms few and far between, it is questionable whether a CUDC could assemble a crack staff.
- Problems must be resolved regarding the relationship between existing development agencies (the BRA - the EDIC, Public Facilities, and the Boston Housing Authority) and a CUDC, as well as between a Boston Housing Finance Agency (legislation for which has already passed the City Council and is before the State Legislature) and a CUDC.
- Whether a public corporation should compete with the private sector, is questionable, and problems for handling the profits of a public corporation would have to be resolved.

Major issues remain concerning the ideal structure and institutional placement of a Boston CUDC. The options include the establishment of CUDC as a wholely separate entity; the expansion of the powers of the BRA to allow it to serve as a CUDC; and the establishment of a CUDC as a subsidiary of the BRA.

In considering the value of a CUDC, its goals must be kept in mind. An organization which simply adds red tape, or creates bureaucratic or political jealouses by virtue of its powers, would be counterproductive.

9. Development Ombusman for the City

One of the greatest problems faced by developers, as mentioned earlier, is the maze of red tape and administrative guidelines presented by City, State and Federal agencies which often represent different points of view. Increased coordination would do much to stimulate development.

One possible way to achieve this coordination would be to create a new City function - a development ombudsman.

The role of such a person or office would be to analyze a project in conjunction with other City departments, looking at both its short and long range costs and benefits. Analysis would proceed within the context of City priorities for residential, commercial, and industrial development. Approval of the plan in both its technical and political aspects would be followed by the full cooperation of the City. The ombudsman would then serve as the advocate or coordinator of the project, representing the City's point of view, and monitoring matters involving design review, zoning, taxes, building permits, rent control, etc. He would be able to establish a specific schedule for the various departmental reviews and intervene with any City agency that was delaying the development. The development ombudsman would report directly to the Mayor, and although he would be available to help all developers with their problems, he would spend major time and effort on those projects that are most crucial in

promoting the City's development goals.

In many ways the BRA already plays this type of role, particularly in urban renewal areas. Still, the BRA has no power to intervene directly with other departments, and often needs probing itself.

It may be sufficient to assign an ombudsman only to those areas of the City where development is both of special priority and particularly difficult, such as the Core Area. The BRA director may even serve as the ombudsman in such areas, with responsibility for scheduling and coordination.

Clearly defining the role of the ombudsman is critical to its effectiveness. If not given sufficient power, the ombudsman may be powerless and consequently become more of a obstacle than a help. If given too much power, department heads may be threatened. Still, action must be taken to help coordinate development, and short of re-organizating City departments, something along the lines of a development ombudsman may be a possible step in this direction.

In conclusion, the potential demand for middle and upper income units in Boston, and the current obstacles to such development, require that the City of Boston take an active role in order to promote construction most consistent with its overall development strategy. While the methods to achieve this aim suggested above are neither fully developed nor complete, hopefully they form a starting point for constructive discussion.

APPENDIX I

VACANCY RATES*

Project	Total Number of Units	Vacant Units Summer 1971		Vacant Units Winter 1973	
Harbor Towers		Number	Percent	Number	Percent
Harbor Towers	624	--	--	250**	40
Charles River Park	1,409	15	1	19***	1
Bostonview Apts	146	1	1	3	2
Kenmore Square Apts	110	1	1	3	3
Charlesbank	276	0	0	0	0
Back Bay Manor	290	0	0	0	0
Jamaica Way Towers	286	0	0	0	0
Prince Building	42	4	10	0	0
Tremont-On-The-Common	360	12	3	0	0
Prudential Towers	785	1	0	0	0
330 Beacon Street	80	0	0	0	0
TOTALS	4,408	34	1	275	6

*Data in this appendix was obtained from Gladstone Associates reports previously cited.

**Excluding the special case of Harbor Towers, the Winter 1973 vacancy rate is less than one percent.

***Subsequent data supplied in May 1973, by the management of Charles River Park, gives a 5 percent vacancy rate for this project. When this is used with the rates for the other projects, the overall vacancy rate becomes 2 percent (excluding Harbor Towers) and 7 percent (including Harbor Towers).

Table III-19. SELECTED QUALITY APARTMENT DEVELOPMENTS
BOSTON CORE AREA
SUMMER 1971

Project Name/Location	Date Opened	Unit Mix Type	Number	Percent	Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Utilities Included Heat	Utilities Included Elec.	Amenities Included W/C	Carpet	Disposal	Dishwasher	Laundry	Balcony/Patio	Pool	Parking	Comments
BOSTON																				
Harbor Towers Boston Waterfront	Sept. 1971	1BR	156	25%	$270-$320	UC	UC	760	$.36-.42	X		X		X	X	X				2-40 story buildings; 312 units per bldg; 8 units per floor; $15 increase every 3rd floor; 96 slip marina; optional health club membership: tennis, indoor pool, sauna, steam bath; outdoor pool: $125/$150/$175 per season; convenience stores; pkg: $40-$50/mo.; ed by June, 1971; 125 units leased prior to opening of model apartments; 25 units/mo. leased in May to June.
		1BR(LG)	156	25%	$285-$400	UC	UC	820	$.35-.49											
		2BR, 1 1/2B	156	25%	$375-$540	UC	UC	1,220	$.31-.44											
		2BR, 2B(LG) (Den)	156	25%	$525-$600	UC	UC	1,640	$.32-$.37											
		Total	624	100%																
Charles River Park Boston - West End	1961 1964 1966	Eff.	425	30%	$195-$235	1	0%	560	$.35-.42	X		X		X	X	X	X			6 bldg. complex; plan 2-36 story towers (700 units) - Fall, 1971; rent increases with height; pool fee: $25/couple/season; tennis: $60/season; greatest demand for efficiencies; outdoor pkg; $30/mo; garage pkg; $40/mo.
		1BR	550	39%	$265-$335	5	1%	780	$.34-.43											
		2BR	350	25%	$320-$400	4	1%	1,260	$.25-.32											
		3BR	66	5%	$430+	4	6%	1,380	$.31+											
		3BR TH	18	1%	$450+	1	6%	NA	NA											
		Total	1,409	100%		15	1% 1/													
Bostonview Apts. Boston - Beacon Hill	1967 (Conv)	Eff.	16	11%	$185-$220	0	0%	450	$.41-.49	X		X		X	X	X				Converted from a hotel; pkg: $45/mo; sundeck on roof.
		1BR	130	89%	$225-$290	1	1%	570-770	$.38-.39											
		Total	146	100%		1	1%													

1/ Yearly occupancy level is approximately 95%.

NA: Not Available.
UC: Under Construction.
TH: Townhouse
Source: Gladstone Associates field survey

Table III-19.

SELECTED QUALITY APARTMENT DEVELOPMENTS
BOSTON CORE AREA
SUMMER 1971

Project Name/Location	Date Opened	Unit Mix Type	Number	Percent	Rent	Vacancy Number	Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Utilities Included Heat	Elec.	Amenities Included A/C	Carpet	Disposal	Dishwasher	Laundry	Balcony/Patio	Pool	Parking	Comments
BOSTON Cont'd																				
566 Commonwealth Avenue Apts. Boston - Kenmore Sq.	1966	Eff.	11	10%	$200	0	0%	590	$.34	X		X		X	X	X	X			Rent increases with height; rents to be raised this summer; tenants mostly B.U. students; pkg: $40/mo.
		1BR	66	60%	$275	0	0%	850	$.32											
		2BR	33	30%	$375-$440	1	3%	1,150	$.33-.38											
		Total	110	100%		1	1%													
Charlesbank Boston - Huntington Ave.	1963	Eff.	185	67%	$115+	0	0%	600	$.19-.28	X		X		X		X	X			Well managed and maintained; long waiting list; no advertising in 7 yrs.; very low turnover; pkg: $20/mo.
		1BR	91	33%	$150-$215	0	0%	730	$.21-.29											
		Total	276	100%		0	0%													
Back Bay Manor Boston - Huntington Ave.	NA	1BR	NA	NA	$200	0	0%	NA	NA	X		X		X	X	X	X			Most tenants work in medical complex; pool: $65/season.
		2BR	NA	NA	$240-$305	0	0%	NA	NA											
		3BR	NA	NA	$295-$335	0	0%	NA	NA											
		Total	290	100%		0	0%													
Jamaica Way Towers Boston - Jamaica Plain	1967-1968	Eff.	34	12%	$220	0	0%	450	$.49	X	X	X		X	X	X	X	X		100% occupancy since opening; waiting list; pkg: $30/mo.
		1BR	135	47%	$270	0	0%	850	$.32											
		2BR	117	41%	$320	0	0%	1,100	$.29											
			286																	
63 Atlantic Avenue (Prince Bldg.) Boston-Waterfront	1967 (Conv.)	1BR	2	5%	$250	0	0%	NA	NA	X		X		X	X	X	X			Converted factory building; 7-story bldg; pkg: $35/mo.
		2BR	(40)	(95%)	$450	4	NA	NA	NA											
		3BR	( )	( )	$500	0	0%	NA	NA											
		Total	42	100%		4	10%													

NA: Not Available.
UC: Under Construction.
TH: Townhouse.

Source: Gladstone Associates field survey

Table III-19.

SELECTED QUALITY APARTMENT DEVELOPMENTS
BOSTON CORE AREA
SUMMER 1971

Project Name/Location	Date Opened	Unit Mix Type	Unit Mix Number	Unit Mix Percent	Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Utilities Included Heat	Utilities Included Elec.	Amenities Included A/C	Carpet	Disposal	Dishwasher	Laundry	Balcony/Patio	Pool	Parking	Comments
BOSTON Cont'd																				
Tremont on the Common Boston	1965	Eff.	160	44%	$240-$265	4	3%	540-600	$.44	X		X		X	X	X		X		Rent increases by height and view; rented-up slowly; 18 mos. to reach 85-92% occupancy; penthouses converted to offices; pkg: $40/mo; sauna, secretarial service; security problems
		1BR	120	33%	$265-$410	4	3%	670-790	$.40-.52											
		2BR	60	17%	$385-$450	2	3%	1,120-1,210	$.34-.37											
		3BR	20	6%	$550-$575	2	10%	1,210	$.45-.48											
		Total	360	100%		12	3%													
Prudential Towers Boston - Prudential Center	1967	Eff.	148	19%	$195-$240	0	0%	340-660	$.36-.57	X		X		X	X	X				3 bldg. complex; rent increases with height & view; parking: $60/mo.; waiting list; low turnover; 2 yr. lease. $5 increase per floor.
		1BR	359	45%	$250-$355	0	0%	640-840	$.39-.42											
		2BR, 2B	240	31%	$355-$585	1	0%	1,210-1,400	$.29-.42											
		3BR, 3B	29	4%	$600 $700	0	0%	1,930	$.31-.36											
		2BR, Pent.	( )	( )	$750-$800	0	0%	1,660-1,700	$.45-.47											
		3BR, Pent.	(9)	(1%)	$850-$900	0	0%	1,900-1,960	$.45-.46											
		Total	785	100%		1	0%													
330 Beacon Street Boston - Back Bay	1965	Eff.	5	6%	$210-$220	0	0%	NA	NA	X		X		X	X	X	X			3 Yr. lease; waiting list; no recreational facilities; 24 hr. security; pkg: $55/mo.; 12 stories; unit sizes vary considerably.
		1BR	23	29%	$370-$400	0	0%	1,000	$.37-.40											
		2BR	28	35%	$470-$525	0	0%	1,250	$.38-.42											
		3BR	18	23%	$670-$700	0	0%	1,750	$.38-.40											
		Pent-house	6	7%	$850-$1,200	0	0%	2,300	$.37-.52											
		Total	80	100%		0	0%													

NA: Not Available.
UC: Under Construction.
TH: Townhouse.
Source: Gladstone Associates field survey

SELECTED QUALITY RENTAL APARTMENT DEVELOPMENTS

BOSTON CORE AREA

WINTER, 1973

Project Name/ Location	Date Opened	Unit Mix Type	Unit Mix Number	Unit Mix Percent	Monthly Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Heat / Util. Incl. (Elec.)	Amenities Included In Rent: A/C	Carpet	Disposal	Dishwasher	Laundry	Balc./Patio	Pool	Monthly Parking Rate	Comments
Harbor Towers Boston Waterfront	Sept 1971 (Sales Office)	1BR	156	25%	$295-$375	NA	NA	760	$.39-$.49	X -	X -	X	X	X	0	X		$50 (1,550 pkg. spaces)	Waterview units rented first: city v units slowest to rent; occupancy is 60-65% as of Jan., 1973; Avg. rent-u pace since sales model opened: 23-25 units per month; two 40 story towers units/bldg.; 8 units/floor; balcorie ly on 2BR or 3BR units; rent increas with height: $15-$20 every 3rd floor slip marina; optional health club me ship: 4 bubble-top tennis courts, s & indoor pool on top of garage; club fee not set - originally priced at $ /$150/$175 per season; convenience s on ground level of garage: small su market, cleaners and Stella's Restaurant from North End.
		1BR,(LG)	156	25%	$325-$400	3	2%	850	$.38-$.47										
		2BR,1 1/2B	[156]	[25%]	$375-$540	NA	NA	1,220	$.31-$.44										
		Convert.2B			$385-$550	NA	NA	1,220	$.32-$.45										
		1 1/2B	[ ]	[ ]															
		2BR,2B w/ Den	156	25%	$495-$725	3	2%	1,640	$.30-$.44										
		TOTAL	624	100%		250 ±	40% ±												
Charles River Park Boston-West End	1961	Eff.	425	30%	$200-$235	1	0%	560	$.36-$.42	X -	X -	X	X	X	X	0		$35/ outdoor $45/ indoor	Greatest demand continues to be for efficiency and 3BR units; rent incr $2.00/floor and $10 more for view; unit (2 bldgs.) addition U/C plus o space, restaurant, garage, and tenn courts to be completed by 1975; out pool: $100/person; indoor pool: $10 person.
	1964	1BR	550	39%	$275-$330	10 +	2% +	780	$.35-$.42										
	1966	2BR	350	25%	$320-$380	6 +	2%	1,260	$.25-$.30										
		3BR	66	5%	$425-$450	2	3%	1,380	$.31-$.33										
		3BR,TH	18	1%	NA	0	0%	NA	NA										
		TOTAL	1,409	100%		19 +	1%												

NA: Information is not available

TH: Townhouse

PH: Penthouse

O: Optional amenity

Source: Gladstone Associates field survey

SELECTED QUALITY RENTAL APARTMENT DEVELOPMENTS (Cont'd)

BOSTON CORE AREA

WINTER, 1973

Project Name/ Location	Date Opened	Unit Mix Type	Unit Mix Number	Unit Mix Percent	Monthly Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Heat / Util. Incl. Heat	Util. Incl. Elec.	Amenities Included In Rent A/C	Carpet	Disposal	Dishwasher	Laundry	Balc./Patio	Pool	Monthly Parking Rate	Comments
stonview Apts. Boston-Beacon Hill	1967 (Conversion)	Eff.	16	11%	$185-$220	0	0%	450	$.41-$.49	X	-	X	-	X	X	X	-	-	$45	Converted from a hotel; never any vacancy in efficiency units; sun deck on roof.
		1BR	130	89%	$225-$290	3	2%	570-770	$.39-$.38											
		TOTAL	146	100%		3	2%													
6 Commonwealth Apts Boston-Kenmore Sq.	1966	Eff.	11	10%	$210	0	0%	590	$.36	X	-	X	-	X	X	X	X	-	$40	Mostly B.U. students; rent increases with height.
		1BR	66	60%	$275-$310 +	1	2%	850	$.32-$.36 +											
		2BR	33	30%	$365-$400 +	2	6%	1,150	$.32-$.35 +											
		TOTAL	110	100%		3	3%													
arlesbank Boston-Huntington Avenue	1963	Eff.	185	67%	$145-$200	0	0%	600	$.24-$.33	X	-	X	-	X	-	X	X	-	$15 deck $20 covered	Well-managed & maintained; long wait list and no vacancy in yrs.; no advertising in 8 yrs.; low turnover; many tenants work in nearby medical complexes; very reasonable rents.
		1BR	91	33%	$155-$225	0	0%	730	$.21-$.31											
		TOTAL	276	100%		0	0%													
ack Bay Manor Boston-Huntington Avenue	1968	Eff.	NA	NA	NA	0	0%	NA	NA	X	-	X	-	X	X	X	X	O	$23 outdoor $28 indoor	Most tenants work in nearby medical complexes; optional pool club membership $65 per season.
		1BR	NA	NA	$202-$267	1	NA	NA	NA											
		2BR	NA	NA	$252-$305	0	0%	NA	NA											
		3BR	NA	NA	$297-$342	0	0%	NA	NA											
		TOTAL	290	100%		0	0%													

A: Information is not available

H: Townhouse

H: Penthouse

O: Optional amenity

ource: Gladstone Associates field survey

SELECTED QUALITY RENTAL APARTMENT DEVELOPMENTS (Cont'd)

BOSTON CORE AREA

WINTER, 1973

Project Name/ Location	Date Opened	Unit Mix Type	Unit Mix Number	Unit Mix Percent	Monthly Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Heat / Util. Incl. Elec.	Amenities Included In Rent: A/C	Carpet	Disposal	Dishwasher	Laundry	Balc./Patio	Pool	Monthly Parking Rate	Comments
Jamaica Way Tower Boston-Jamaica Plain	1967/1968	Eff.	34	12%	$195 1/	0	0%	450	$.43	X -	X -	X	X	X	X	X		$26	100% occupancy since opening; waitin well managed and maintained; mostly couples and widows; sauna; small co venience food store and beauty parlo
		1BR	135	47%	$270 1/	0	0%	850	$.32										
		2BR	117	41%	$400 1/	0	0%	1,100	$.36										
		TOTAL	286	100%		0	0%												
63 Atlantic Avenue (Prince Bldg.) Boston-Waterfront (Converting to condominium)	1967 (Conversion soon)	Eff.	NA	NA	$275	0	0%	NA	NA	X -	X -	X	X	X	X	-		$35	Converted factory bldg; presently be converted to condo ownership as lea expire ($35,000 up); attractive desi excellent waterfront views; mostly y singles & marrieds; some units utili offices; mostly 1BR & 2BR units.
		1BR	NA	NA	NA	0	0%	NA	NA										
		2BR	NA	NA	NA	0	0%	NA	NA										
		3BR	[NA]	NA	NA	0	0%	NA	NA										
			42%	100%		0	0%												
Tremont on the Common Boston-Tremont St.	1966	Eff.	160	44%	$240-$320	0	0%	540-600	$.44-$.53	X -	X -	X	X	X	0	X		$48	Lowest turnover in 3BR units (no vac in 2 yrs.); initial rent-up was slo mos. to reach 85-92% occupancy) but turnover in recent years; rent incre by height and view; secretarial serv sauna.
		1BR	120	33%	$260-$420	0	0%	670-790	$.39-$.53										
		2BR	60	17%	$385-$455	0	0%	1,120-1,210	$.34-$.38										
		3BR	20	6%	$550-$650	0	0%	1,210	$.45-$.54										
		TOTAL	360	100%		0	0%												

1/ Base prices

NA: Information is not available

TH: Townhouse

PH: Penthouse

O: Optional amenity

Source: Gladstone Associates field survey

SELECTED QUALITY RENTAL APARTMENT DEVELOPMENTS (Cont'd)

BOSTON CORE AREA

WINTER, 1973

Project Name/ Location	Date Opened	Unit Mix Type	Unit Mix Number	Unit Mix Percent	Monthly Rent	Vacancy Number	Vacancy Percent	Unit Size (Sq. Ft.)	Rent Per Sq. Ft.	Heat / Elec.	A/C	Carpet	Disposal	Dishwasher	Laundry	Balc./Patio	Pool	Monthly Parking Rate	Comments
...udential Center ...artments Boston-Boylston St.	1967	Eff.	148	19%	$195-$250	0	0%	340-660	$.57-$.38	X -	X	-	X	X	X	-	-	$50	Rent from long waiting list; 1 yr. wa studios; 6-8 mos. on 1 & 2BR units; 1 on 3BR units; 1 yr. on PH units; secu appears to be a major factor for pros tive tenants; rent increases with hei and view; no recreational amenities.
		1BR,1B	359	45%	$260-$350	0	0%	640-840	$.41-$.42										
		2BR,2B	240	31%	$375-$585	0	0%	1,210-1,400	$.31-$.42										
		3BR,3B	29	4%	$695-$850	0	0%	1,930	$.36-$.44										
		2BR P.H.	[9]	[1%]	$850-$950	0	0%	1,660-1,700	$.51-$.56										
		3BR P.H.			$950-$1,000	0	0%	1,900-1,960	$.50-$.51										
		TOTAL	785	100%		0	0%												
...0 Beacon Street Boston-Back Bay	1965	Eff.	5	6%	$210-$220	0	0%	NA	NA	X -	X	-	X	X	X	X	-	$55	No vacancies in years; 3 year lease; recreational amenities; 24 hr. securi unit sizes very considerably; mostly tenants; quoted rents are for 1972 an applicable.
		1BR	23	29%	$370-$400	0	0%	1,000	$.37-$.40										
		2BR	28	35%	$470-$525	0	0%	1,250	$.38-$.42										
		3BR	18	23%	$670-$700	0	0%	1,750	$.38-$.40										
		PH	6	7%	$850-$1,200	0	0%	2,300	$.37-$.52										
		TOTAL	80	100%		0	0%												
...0/50 Longwood Ave. Brookline-Longwood Avenue	1969	Eff.	7	4%	$200 +	0	0%	500	$.40 +	X -	X	-	X	X	X	X	X	$30	Lowest turnover in 2BR units; do not to convert to condominiums at present bldg. received 90% ficancing under FH 608); 24 hr. security; sauna; mostly tenants.
		1BR	98	54%	$342-$430	4	4%	1,050	$.33-$.41										
		2BR	64	37%	$500 ±	0	0%	1,200	$.42 ±										
		PH	8	5%	$900 ±	0	0%	1,650	$.55 ±										
		TOTAL	177	100%		4	2%												

...A: Information is not available

...d: Penthouse

...H: Townhouse

...O: Optional amenity

...ource: Gladstone Associates field survey

APPENDIX II

NEW OFFICE CONSTRUCTION IN THE CITY CORE
1971-1980

Completion Year/ Building	Gross Sq. Footage[1]	Estimated Cost (Millions of Dollars
1971		
First National Bank	1,460,000	58.4
Old City Hall	91,900	3.7
Totals	1,551,900	62.1
1972		
One Washington Mall	166,000	7.3
Boston Five Cent Savings	50,000	2.2
New England Telephone (Addition)	300,000	13.2
Christian Science Church Admin. Towers	270,000	11.9
Keystone	727,000	32.0
Totals	1,513,000	66.6
1973		
Staniford St.	200,000	9.7
John Hancock Tower	2,000,000	96.8
Faneuil Hall	175,000	8.4
141 Tremont	57,565	2.8
One Beacon	1,100,000	53.2
Capitol Bank	42,000	2.0
Totals	3,574,565	172.9
1974		
Provident Institution	150,000	7.8
545 Boylston	85,000	4.4
Totals	235,000	12.2
1975		
Sixty State St.	900,000	50.8
Clinton St.	100,000	5.6
Blue Cross-Blue Shield	950,000	53.6
Federal Reserve Bank	1,100,000	62.1
Quincy Markets	125,000	7.1
National Shawmut Bank	1,151,000	65.0
South Station (C-7)	180,000	10.2
Totals	4,506,000	254.4

[1] Demand and Supply of Office Space in City of Boston; BRA Research Department, 1972, not yet published.

Completion Year/ Building	Gross Sq. Footage	Estimated Cost (Millions of Dollars
1976-1980		
250 Washington	810,000	49.4
Waterfront Office Towers	750,000	45.7
South Station (C-5)	250,000	15.2
Stone & Webster	600,000	42.7
State Office Building	565,000	40.2
New Congress Street	350,000	24.9
State HEW Tower	350,000	24.9
Dewey Square	2,000,000	142.3
Park Plaza	1,000,000	71.1
Totals	6,675,000	456.4
Grand Totals		
1971-1975	11,380,465	568.2
1976-1980	6,675,000	456.4
Total	18,055,465	1,024.6

Methodology:

To determine the cost of construction for each of the office buildings, an average cost per gross sq. ft. of office space was determined for the base year, 1971. The average cost per sq. ft. reflects most of the site preparation costs and the "finished" office space construction costs.

The office structures that were being completed in 1971 were estimated to have an average cost of $40.00 per gross sq. ft. Using the 1971 base figure, a 10% per annum inflationary factor was added to the per sq. ft. base figure for the years 1972 and 1973; thereafter, the inflationary factor was estimated at 8% per annum for 1974 through 1980.

The total cost for each of the office structures was determined by multiplying the appropriate per sq. ft. cost figure by the gross sq. footage of the office structure.

Source:

BRA Research Department.

CHAPTER VI

HOUSING FOR THE ELDERLY

A. BACKGROUND

The elderly, most of whom depend upon small, fixed incomes, are discussed separately from the bulk of the low and moderate income population for several reasons. First, while they share some economic characteristics with other low and moderate income age groups, they have particular physical and psychological needs. Second, unlike other low and moderate income age groups, they make up a significant percentage of the City's homeowners. Since they often have only limited physical abilities, they present special needs and problems that must be dealt with when providing for the upgrading of existing housing in the City. And finally, the elderly comprise a significant proportion of the total Boston population.

In 1970 there were 81,718 persons in the City of Boston who were 65 years old or older. Although the elderly numbered 3,951 fewer than in 1960, they represented an increasing proportion of the City's total population--rising from 8.6 percent in 1950, to 12.3 percent in 1960, to 12.7 percent in 1970.

While elderly residents are found throughout the City, several districts (i.e., South Boston, Central, South End, Allston-Brighton, Jamaica Plain, Roslindale, and West Roxbury) have elderly populations greater in proportion than the City as a whole (see Table VI-1). In

Table VI-1

POPULATION, 65 AND OVER,
CITY OF BOSTON, 1970

Planning Districts	Total Population	Population 65 and Over	Population 65 and Over, as % of Total District Population	District Population 65 and Over, As % of Total City Population 65 and Over
East Boston	38,873	4,550	11.7	5.6
Charlestown	15,353	1,701	11.1	2.1
South Boston	38,488	5,456	14.2	6.7
Central	19,334	2,811	14.5	3.4
Back Bay-Beacon Hill	27,538	3,207	11.7	3.9
South End	22,680	3,339	14.7	4.1
Fenway-Kenmore	32,965	3,346	10.2	4.1
Allston-Brighton	63,657	9,678	15.2	11.8
Jamaica Plain-Parker Hill	47,767	6,881	14.4	8.4
Washington Park-Model City	71,095	6,482	9.1	7.9
Washington Park	20,081	1,931	9.6	2.4
Campus High	1,749	272	15.5	.3
Model City	49,265	4,279	8.7	5.2
Dorchester	152,529	18,568	12.2	22.8
Dorchester 1	32,665	3,826	11.7	4.7
Dorchester 2	74,415	9,471	12.7	11.6
Mattapan	45,449	5,271	11.6	6.5
Roslindale	39,558	6,053	15.3	7.4
West Roxbury	34,989	5,616	16.1	6.9
Hyde Park	34,977	3,749	10.7	4.6
Planning District Total	639,803	81,437	12.7	99.7
Harbor Islands	1,241	281	22.6	.3
Crews of Vessels	27	-	-	-
City Total	641,071	81,718	12.8	100.0

addition, in such other districts as North and South Dorchester and the Fenway, where the proportions of elderly are not overwhelming, numerous pockets or neighborhoods exist where concentrations of elderly residents are high (see Map VI-1).

The elderly are expected to continue to be a major segment of the City's population. If the number of elderly in the City were based solely on the aging and mortality of existing residents, and the continuation of current migration patterns, a decrease in the City's elderly by almost 15 percent could be expected by 1980. However, the City has become an increasingly attractive place for elderly citizens. There are already indications that migration patterns have altered; fewer elderly are moving out of the City and a significant number of elderly are returning to the City from the suburbs. The public transit system, access to shopping and medical facilities and a desire by some to return "home," all contribute to this pattern. Based on this shift in migration, it is anticipated that the City's elderly population could grow by 4,000 by 1980, thus constituting 12.8 percent of the City's population.[1]

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[1] 1980 Population Projections, Margaret O'Brien, Research Department, Boston Redevelopment Authority.

B. THE NEED FOR HOUSING FOR THE ELDERLY

The needs of the elderly for housing have several dimensions. They reflect not only a numerical mismatch between the supply of and demand for units, but also particular economic, physical and psychological factors. For this reason, these needs will be considered qualitatively before they are expressed quantitatively.

1. Qualitative Dimensions

Perhaps the most serious problem facing the elderly person in securing housing is economic - an insufficient income to support not only the special housing services which are often needed, but even a minimum quality of housing. The only source of income for the majority of the elderly who do not live with younger family members is social security payments or minimal pensions, which leave 20 percent of all Boston's elderly, (and 40 percent of the elderly unrelated individuals) below the poverty level.

a. The Elderly Renters - Table VI-2A shows that there were over 40,000 renting households in 1970 headed by someone 62 years old or older (one quarter of all renter households).[2] In several, predominately rental areas of the City (such as Allston-Brighton,

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[2] An elderly person is defined by the U. S. Department of Housing and Urban Development as any person who is 62 years of age or older. Thus while the majority of census data on the elderly refers to persons 65 years of age or older, data utilizing the former definition will be used when available.

Table VI-2

DISTRIBUTION OF THE ELDERLY POPULATION
BOSTON, 1970

A. HOUSEHOLDS HEADED BY ELDERLY PERSONS, BY TYPE OF HOUSEHOLD AND TENURE

Household Type	Head 62 or Older				Head 65 or Older			
	Total	Tenure			Total	Tenure		
		Owner	(%)	Renter		Owner	(%)	Renter
Husband-Wife	21,983	9,890	(45)	12,093	17,109	7,629	(45)	9,480
Other Family with Male Head	2,269	1,047	(46)	1,222	1,873	840	(45)	1,033
Family with Female Head	7,995	3,375	(42)	4,620	6,460	2,776	(43)	3,684
Male Primary Individual	7,262	1,318	(18)	5,944	6,091	1,164	(19)	4,927
Female Primary Individual	20,668	4,253	(21)	16,415	17,671	3,611	(20)	14,060
Total	60,177	19,883	(33)	40,294	49,204	16,020	(33)	33,184

B. INDIVIDUALS 65 AND OVER IN NON-ELDERLY HEADED HOUSEHOLDS

Living with Family Members Other than Elderly Spouse	10,493
Roomer, Boarder	2,154
Single, Institutional	8,267
Total	20,914

Fenway, and Back Bay-Beacon Hill) these households have been forced to compete for housing with inmigrating students and young working people, requiring the expenditure of inordinate proportions of the elderly's limited resources on shelter. This leaves elderly residents with inadequate resources for food, clothing and health needs. In such areas of sharply rising rents, the greatest need of residents may be for some kind of control of rents.

In these, as well as other areas where rents may be more reasonable in relation to income, the elderly find themselves living in housing that lacks safety, adequate heat, and proper security. Their modest incomes generally cannot support the increased rents which might accompany strict code enforcement. Since strict code enforcement and rent control in standard housing can only work at cross purposes, these residents need rental assistance or alternative housing.

b. The Elderly Homeowner - The problems of the elderly homeowner relate both to his economic and physical ability to maintain his home. In 1970 about 20,000 households, or one third of all households headed by persons 62 years old or older, owned their own homes (see Table VI-2A). The impact of these homeowners on the housing stock is significant since many of these structures contain two, three or four units. These elderly own 28 percent of all one to four unit structures, and of the one to four unit structures which are owner-occupied, 35 percent are owned by elderly residents (see Table VI-3).

However, many elderly homeowners, like the elderly renter, have limited incomes. (Approximately one third of all homeowners over 65 in 1970 had incomes of less than $5,000.) Although it is likely that

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Table VI-3

OWNER OCCUPANCY OF 1-4 UNIT STRUCTURES,
BY PERSONS 62 YEARS AND OLDER

Planning Districts	Total 1-4 Unit Structures	% Owned by Elderly	Total 1-4 Unit Owner-Occupied Structures	(% of Total 1-4 Unit Structures)	% Owned by Elderly
East Boston	4,974	31	3,812	(80)	39
Charlestown	1,900	26	1,546	(81)	32
South Boston	4,614	25	3,366	(73)	35
Central	976	34	573	(59)	58
West End	68	13	13	(19)	69
North End	629	43	431	(69)	63
South Cove	204	17	102	(50)	33
Central	75	20	27	(36)	56
Back Bay-Beacon Hill	1,178	33	666	(57)	58
South End	1,597	21	788	(49)	43
Fenway-Kenmore	585	24	268	(46)	52
Allston-Brighton	5,502	33	4,541	(83)	39
Jamaica Plain-Parker Hill	4,550	34	3,475	(76)	44
Washington Park-Model City	6,684	18	4,266	(64)	29
Washington Park	1,862	16	988	(53)	31
Campus High	118	14	51	(43)	27
Model Cities	4,704	19	3,227	(69)	28
Dorchester	18,254	26	15,288	(84)	31
Dorchester 1	3,148	26	2,436	(77)	33
Dorchester 2	9,819	28	8,440	(86)	33
Mattapan	5,287	23	4,412	(83)	27
Roslindale	6,517	33	5,954	(91)	36
West Roxbury	7,438	33	6,826	(92)	36
Hyde Park	6,661	25	5,894	(88)	28
City Total	71,250	28	57,263	(80)	35

a large portion of these persons have paid off their mortgages, (or if they have not done so, their payments are relatively low, reflecting low interest rates), there still are sewer and water taxes, as well as maintenance costs to be paid. These maintenance costs commonly increase as owners age and are forced to rely less on their own labor and more on contractors. In addition, despite the existence of property tax abatement for some elderly[3], these taxes still impose a considerable burden.

Thus even routine maintenance and operating problems become burdensome for many owners. After several years the reduced maintenance, which often results from this tight financial situation, becomes reflected in the deterioration of the structure, particularly on the exterior. Continued neglect of the structure not only means a loss in value to the owner, but may in the end force relocation.

However, many elderly homeowners cannot afford the switch from owner to renter status any more than they can afford to better maintain their homes; others probably find the process of selling their homes not only exhausting but also frightening and disappointing. These anxieties are most likely to be present in those areas in which prospective buyers face a constricted mortgage market, and where elderly white owners must face non-white buyers. In addition, some owners are reluctant to sell their homes if doing so will force them to seek

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[3] In the Commonwealth of Massachusetts, homeowners over the age of 70 who have incomes of less than $5,000 by law receive an abatement on assessed valuation.

housing outside of their present neighborhoods.

The needs of the elderly homeowner are, on the one hand, for financial assistance for upgrading and daily maintenance for those who would like to remain in their homes and, on the other hand, for home transfer assistance and appropriately priced and located alternatives for those who would prefer to sell their homes.

c. Problems of Dependency - The reduced incomes and diminishing physical capabilities of the elderly often push them into social isolation during the very period at which their dependency on others is increasing. While total independence is often physically undesirable, total dependence may be psychologically so. However, few alternatives currently exist for the elderly which provide intermediary solutions.

Apart from the renters and owners discussed above, there is a significant proportion of the elderly who are presently living in more or less dependent situations. This is certainly the case of those 8,267 single individuals who in 1970 were living in institutions; it may be the case with many of the 10,493 elderly persons who were living in households as family members[4] (see Table VI-2B). While in most cases these arrangements may be optimal for all parties, there are doubtlessly a significant number of elderly persons who would be anxious for the opportunity for more independence, if alternatives were available which offered vital amenities and

[4] A good proportion of the 10,000 persons who were 62 or over in 1970 and were recorded as heads of families may actually also be approaching dependent status as their children's incomes and supportive activities exceed their own.

services.

d. Conflicting City Needs - Not only do the problems of aging directly affect individuals and their families, but they have important indirect consequences for the City as a whole--its housing stock and its tax base. Alleviating these problems may be considered second-order goals in housing the elderly.

First, undermaintenance by elderly homeowners may produce serious neighborhood effects, especially in areas in which elderly ownership is common.

Second, the overhousing of elderly owners and renters in units which years earlier had sheltered whole families, is a sub-optimal situation in a tight housing market. The overhousing problem is dramatized by the fact that 5571 homeowners of at least 62 years of age were living alone in 1970.[5]

Finally, the lack of alternatives actually costs the City money in foregone property taxes. Last year abatements to owners resulted in a 1.7 million dollar loss to the City. The Assessing Department estimates that this figure could rise to three million this year, and eventually it appears that "costs" to the City could be between four and five million dollars.[6] While the political appeal of the subsidy is understandable,

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[5] This group comprises as much as 10 percent of all owners of one to four unit structures.

[6] There were 9,500 owners over age 70 in the City according to the 1970 census. Although precise calculations are not possible, given available data on income of homeowners, it is reasonable to estimate that between 1/2 and 2/3 of the 9,500 have incomes less than $5,000. If 2/3rds, then the cost to the City could be as high as $4,960,000. If 1/2, the cost would be $3,760,000.

it imposes a financial hardship on the City while encouraging a form of tenure for the elderly which often results in overhousing and undermaintenance.

Alternatives are thus needed which free up existing units and reduce the necessity for the elderly to be self-reliant in maintaining property. These alternatives need not be limited to rental situations but may be met through condominiums as well. While condominiums do not solve the problem of tax loss,[7] the tax problem may be less important than the others, and is best solved through a system of reimbursements from the Commonwealth. Such reimbursement should be considered and adopted by the State Legislature.

2. Quantitative Dimensions

There are several components of need discussed above: a) current renters who are paying too great a percent of their incomes on rent and/or who are living in substandard or otherwise unsuitable conditions;[8] b) homeowners who would move if alternatives were available; and c) those who are currently living in institutions or with families, and who would prefer a more independent set-up.

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7 It seems reasonable to suppose that an elderly person with a very low income (i.e., one who is eligible for tax abatements) can afford to buy a condominium if he has cash for the down payment from the sale of his present home.

8 Renters who live in substandard housing should also be considered, if their rents are currently in line with their incomes. Unfortunately, there are no adequate measures of "substandard" which separate out the units of the elderly. So in this chapter quantitative considerations can be given only to the mismatch between rent and income.

A final component of need for housing for the elderly is found in those who are expected to migrate into Boston from the suburbs or outside the Boston area during this decade. The housing demand by such people will also be calculated, because they will compete for the available supply.

It is the assumption of this report that the primary goal for the City is to correct current imbalances in supply and demand and to improve conditions for its own elderly citizens. In order to achieve this goal a priority system may be desirable. Otherwise any increase in supply may only increase demand by attracting more and more elderly from outside of Boston's boundaries.

a. Comments on the Approach to Calculating Need - The analysis which follows refers to latent demand and suggests the extent of the market for projects which are well designed, conveniently located and appropriately priced.[9]

The need which will be estimated is the need for the provision of low cost units. It is assumed that this increased supply will not only serve its elderly tenants directly, but also indirectly by freeing up more moderately priced units for elderly and other low income persons who are currently forced to rent higher priced housing.

If, on the other hand, housing allowances were substituted for new construction, then the total need--measured by the number of house-

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9 One approach to determining housing need is by studying public housing waiting lists. This approach, however, is rejected. The Boston Housing Authority waiting list on November 17, 1972, included 1136 elderly persons: This an inadequate reflection of need considering that many persons are discouraged by the welfare connotations of public housing; others are simply not likely to sign a waiting list.

holds which are spending more than 25 percent of their incomes on rent for reasonably priced units--would be much greater than that calculated here (although program cost would probably be smaller).

There are two justifications for calculating the need for elderly housing in terms of new units rather than rent supplements. One is the fact that programs for the former exist, while those for the latter are only being formulated and their future is tenuous. Second, if any expansion of the supply of low cost housing is necessary, then the elderly are prime candidates for that housing. New housing can answer their special physical needs, through both design and the provision of services. In addition, new housing occupied by elderly persons appears to have a longer life than new housing occupied by lower income families.

b. Demand Among Current Renters - There is a need for between 7,200 and 11,900 units to house all current elderly renters in appropriately sized and priced units. This need has been calculated by relating supply (defined in terms of size of units and rent levels) and demand (defined in terms of size of household and income).[10]

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[10] The methodology involved a computerized matching of supply of and demand for rental units based upon 1970 census data. The total supply of units was distributed into a matrix defined by rent category and number of bedrooms. Demand was defined by the number of the City's households, controlled for size, which fall within each supply type, considering the percentage of income on rent. The matrices for supply and demand were then compared.

Elderly households were taken as all of those households, headed by a person 65 or older, which were renting in 1970. Since elderly households are only one component of demand, competing with other households, the assumption was made that the elderly are currently housed in each supply type, in proportion to the elderly's representation within each demand type. (For example, there are 4209 one bedroom units renting at between $40 and $59. There are 4570 elderly households whose size and income place them within this rental demand type, and 8457 households in total which fall within this demand type. It is therefore assumed that the elderly are currently occupying their "fair share" (4570/8457 or) 54 percent--of this supply. However, 54 percent of 4209 is only 2275 units. Thus there are 2296 elderly households (4570-2274) which cannot find units within this supply type.)

Tables VI-4A and VI-4B are the resulting matrices showing the mismatch in supply of and demand for units for the elderly renter, by rent level and size. They assume income/rent ratios of 25 and 35 percent respectively. Negative numbers indicate a deficit of rental units of a particular type; positive numbers indicate a surplus.[11]

The bracketed area on each martix shows the types of units for which the greatest demand exists--units with one or two bedrooms which rent for less than 60 dollars a month. A liberal estimate of this demand, that is, one which assumes a reasonable rent/income ratio of no more than 25 percent, is 11,900 units. A more conservative estimate, acknowledging that elderly will probably continue to be forced to spend at least 35 percent of their incomes on rent, is about 7,200.

C. Demand Among Current Homeowners - A certain proportion of elderly homeowners will doubtlessly be forced to move by their own inabilities to maintain their homes; others may be persuaded to move by more attractive alternatives.

There are currently approximately 5,000 elderly homeowners with yearly incomes of under $3,000. These would be eligible for low cost housing depending upon their income from the sale of their homes. It is approximated for the purpose of this analysis that at least 25 percent or 1,250 of these households will be seeking low cost alternatives.

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[11] This does not mean that an actual surplus of these types of units exists. The surplus would only exist if the elderly's fair share of units of a particular type (see footnote 10) were actually set aside for the elderly renter of that particular demand type.

1-BR	2-BR
-4,536	-1,501
- 803 -	360 -
7,134	1,215
1,454	98

Table VI-4

MISMATCH OF SUPPLY AND DEMAND
FOR THE ELDERLY RENTER*

A. Assuming 25% of Income Spent on Rent

	1-BR	2-BR	3-BR	4-BR	Total
Under $40	-6,640	-2,187	-346	-11	-9,184
$40 - $59	-2,296	- 782	-111	- 5	-3,194
$60 - $79	580	748	101	- 2	1,427
$80 - $99	681	587	22	- 5	1,285
$100 - $149	- 28	1,490	454	5	1,921

B. Assuming 35% of Income Spent on Rent

	1-BR	2-BR	3-BR	4-BR	Total
Under $40	-4,536	-1,501	-258	- 9	-6,304
$40 - $59	- 803	- 360	- 68	- 3	-1,234
$60-- $79	1,194	1,215	138	- 1	2,546
$80 - $99	1,454	983	37	- 5	2,469
$100 - $149	252	1,479	358	2	2,091

* Negative numbers indicate deficits; positive numbers indicate surpluses. Further explanation is provided in Footnote 10.

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d. Demand Among Dependent Persons - It is likely that the availability of alternatives will be attractive to individuals who are now living in more or less dependent situations. It is less likely that elderly persons currently residing in institutions will change their status than that those who are living with families will attempt to do so. If only 10 percent of the 10,493 persons in the latter category would desire such a change, this would increase demand by 1,050.

e. Inmigrating Elderly Persons: Second Priority Demand - The difficulty of instituting a priority system suggests the importance of estimating the needs of the projected inmigrating population. This need may be for as many as 1,100 units.

This estimate is based upon assumptions that those factors which characterize the present elderly population will also characterize the 4,000 elderly expected to migrate into Boston by 1980: an average household size of 1.3, 55 percent rental status, and 65 percent with incomes under $3,000.[12]

f. Conclusion - The various components of housing need for the elderly are summarized on Table VI-5. As indicated, there is a need of between 11,050 and 15,750 units of low cost housing for senior citizens in Boston. While much of this is needed for those who can afford rents of no more than $65, many of those with restricted incomes may prefer to dip into savings and support the higher rents of subsidized housing.

[12] In actuality one might expect a smaller proportion of low income households but a higher proportion of renters.

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Table VI-5

ELDERLY HOUSING NEEDS

	Low Estimate*	High Estimate**
First Priority - (Current Boston Residents)		
Current Renters	7,200	11,900
Current Homeowners	1,250	1,250
Currently Dependent Persons	1,050	1,050
Total	9,500	14,200
Second Priority - (Expected Inmigrating Persons Competing for Available Units)	1,100	1,100
Total	10,600	15,300

* Based upon the premise that households should not be forced to pay more than 35% of their incomes on rent.

** Based upon the premise that households should not be forced to pay more than 25% of their incomes on rent.

C. THE RESPONSE TO THE ELDERLY HOUSING NEED

Over the past few years the supply of housing for the elderly in Boston has been increasing. Nevertheless it seems clear that potential demand is so great, that even at an increasing rate of construction, the demand will far exceed the supply.

1. The Existing Supply

The existing supply of rental housing especially earmarked for elderly households consists of approximately 2,100 units. These include 1871 units in public housing projects built especially for the elderly since 1960; and 240 units of privately owned but Federally subsidized elderly housing built under the FHA Section 202 program. In addition, in 1970 there were over 4,200 units of regular, family type public housing which were occupied by elderly tenants.[13]

2. Current and Future Response

There are currently about 1700 units of housing, specifically earmarked for the elderly, under construction in Boston. These are composed of 1143 units in public housing projects and 535 units in projects subsidized through FHA and MHFA programs. In addition, there are almost 2,000 units in the pipeline--that is, in the planned, proposed or tentative stages--which have come to the attention of the BRA. About three quarters of these are in public housing projects,

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[13] There are also 22 nursing homes which probably house about 1200 elderly persons. While the persons in these homes are not considered part of the renter population, nursing homes are increasingly becoming alternatives to rental and owner status.

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and the remaining quarter are in subsidized projects. Most, if not all, of these have been affected by the Federal moratorium.

Thus, when present construction is concluded the supply of housing especially for the elderly will be doubled, and the increased rate of construction would be expected to continue were it not for the moratorium. At the present about 16 percent of all renter households headed by a person 62 years old or older are housed in publicly assisted units. When units under construction are added, this will rise to 20 percent. However, Table VI-4 suggests that 37 percent of elderly households[14] are presently renting under financial hardship.[15]

3. Additional Supply Needed

The housing need for the elderly has been put in the range of 9,500 to 14,200 units. The 1,700 units under construction will reduce this need to between 8,000 and 12,560.. This need is still between 6,000 and 10,500 in excess of those currently in the pipeline. While nursing homes may be expected to answer part of this need, there are only 110 units in nursing homes which are planned and known to the BRA.

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[14] Table VI-4 only refers to those over 65, while the age limit for housing for the elderly is 62.

[15] It is difficult to know what proportion of these have assets which alleviate the hardship caused by low incomes.

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Table VI-6

HOUSING FOR THE ELDERLY, BOSTON, 1973

Districts	Existing		Under Construction		Planned, Proposed or Tentative	
	Public	Subsidized	Public	Subsidized	Public	Subsidized
East Boston					300	
Charlestown	96					
South Boston	180					402
Central						
North End					105	
South Cove					105	
Back Bay-Beacon Hill						
South End	102		574			
Fenway-Kenmore			134	147	275	
Allston-Brighton	146	240		256	300	
Jamaica Plain-Parker Hill	108		234 (Rehab)		23	
Washington Park-Model City	454			132	75	
Dorchester						
Dorchester 1	56					
Dorchester 2	385		96			
West Roxbury	72				50	141
Hyde Park	48		105		125	
Mattapan	224					
Total	1,871	240	1,143	535	1,358	543

D. STRATEGIES

Some new strategies have been suggested in the body of this paper, such as home transfer assistance for elderly homeowners. Several old ones have been reiterated: code enforcement in combination with a housing allowance; rent control; and financial assistance for the homeowner for up-grading. While these programs should be planned and/or administered with sensitivity to the problems of the elderly, they deal with problems shared by the elderly with other lower income residents and are discussed in other sections of this report. Attention here will be focused on strategies aimed at increasing the supply of housing for the elderly. These strategies are only in the early stages of formulation and should not be interpreted as hard and fast proposals. Instead they are ideas which should be considered as the first step in a framework towards the formulation of a housing program for the elderly in the City.

Important to formulating housing policy for the elderly is the realization that not only do physical needs vary from one person to another, but so do psychological needs. While some elderly feel relieved living in a large development surrounded by peers, others are dependent upon the presence of younger people for their well-being. A range of alternatives in development scale should reflect this range of needs.

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In addition, in the case of the elderly, the need for housing cannot easily be abstracted from other needs for a total range of social services. Possible variation in scales of new development, as well as existing varying degrees of concentration of the elderly, mean that the City will have to provide supportive services at different levels of intensity. While a high concentration of elderly in specific areas may be accompanied by special problems, it may also afford special opportunities, like clinic and "Meals on Wheels" services, which would otherwise be economically infeasible. The coordination of social and housing services is a challenge both to the City and to developers of new housing.

The City and BRA should encourage an increase in the supply of housing units aimed at the identified elderly target group of between 8,000 and 12,500 households and giving first priority to Boston's residents. Experimentation should be encouraged in scale of development, combinations of services, relationships between elderly and other citizens and imaginative reuses of existing stock. The different alternatives which emerge are dependent both upon the flexibility of the financing program and the type of sponsorship.

1. Modes of Financing, Sponsorship.

a. Public Housing

The Boston Housing Authority is currently the largest sponsor of housing for the elderly. Almost all new elderly units are in Federally-assisted turnkey projects. The BHA negotiates with a private developer, contractor and architect, and eventually manages the project while the Federal government assumes the debt. Since rent has to cover little more than operating expenses, public

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housing (in new units as well as in older buildings) remains the lowest cost housing on the market. With the present drying up of Federal funding, the State turnkey program now under consideration becomes even more crucial.

b. Interest Subsidy Programs

The FHA Section 236 program provides an interest subsidy which may reduce interest rates to as low as one percent. Even so, the cost of efficiency and one bedroom apartments still range between $110 and $160 placing them well beyond the reach of the elderly who are in the greatest need of low cost housing.

The Massachusetts Housing Financing Agency (MHFA) is another vehicle for funding subsidized housing and requires that one-quarter of the units in its buildings be reserved for low income persons. It is able to do this, as well as achieve rent levels for moderate income households, by combining its capacity to sell bonds and notes with the subsidies offered by Federal low interest rate programs, and Federal and State rent supplement programs. MHFA currently has seven exclusively elderly projects occupied or under construction in the State; only one of these is located in Boston. More developers should be encouraged to make use of this vehicle. However, given the moratorium on the Section 236 program (as well as the impoundment of appropriations for the Federal rent supplement program) the State will have to fill the gap if a program of subsidized elderly housing production is to continue.

Sponsors for subsidized housing projects may be profit or non-profit groups. While profit-oriented developers should be encouraged, especially to deal with larger scale projects, some kind of screening device should determine the sponsors' degree of

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commitment to the on-going management problems particular to elderly housing.

The participation of religious groups, as well as other non-profit sponsors, in developing housing for the elderly should also be encouraged. In the metropolitan area several elderly rental projects have already been developed by religious groups, and the Boston groups which have sponsored subsidized housing for low income families may now be interested in using their experience to the benefit of their own elderly members.

c. Private Development

Finally there is an important role for the profit motivated or non-profit developer in the expansion of the low cost non-subsidized housing stock for the elderly where the inexpensive conversion of older buildings is possible. Attractive candidates for such conversion are found in older downtown hotels and large homes. In these, new provisions in the building and rooming house codes may be required to permit the conversion of the structures into separate efficiency units or congregate housing facilities.[16]

2. Varying Scales of Development

The development of large scale projects of 300 or more units offers the best prospect for the incorporation of special facilities and services. The cost limitations on public and subsidized housing suggests the necessity of involving agencies on the City, State and Federal levels in the funding of these services. The concentration of

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16 Congregate housing is designed for elderly persons who wish to maintain as much independence as possible but do not desire to live in housekeeping units. It may include such shared services as central dining and health care.

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[illegible]

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of clients should make this partnership attractive to these agencies, especially if the facilities are open to the elderly of surrounding neighborhoods.

The building or rehabilitating of medium sized buildings either for rent or for purchase as condominiums[17] should also be considered.

Finally, as suggested above, the locational advantages as well as the economic feasibility of converting older, downtown hotels or houses into small housekeeping units or congregate housing deserves exploration.

In conclusion the need for experimentation in conversions, and in different scales and mixes between elderly and other residents and between existing and new construction cannot be over-emphasized. While the elderly are suitable candidates for new construction because of their special needs and the potential for freeing up relatively under-utilized housing units, new construction is nevertheless so costly that only a limited number can be aided as long as both housing and senior citizens continue to figure low among national priorities. Although the strengthening of demand through a system of housing allowances would reach more of those in need, this solution is not currently

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17 The condominium may prove an attractive alternative for the home-owner who, upon sale of his house, would have sufficient resources for a downpayment.

available. For the present a balance, determined by available resources, between new construction and reuse of the existing supply must be achieved in order to answer as much of the elderly demand for low cost housing as possible.

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Toward a housing policy for the City of Boston.